

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Parma	County Jackson
Audit Date 2/28/05	Opinion Date 8/30/05	Date Accountant Report Submitted to State: 9/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

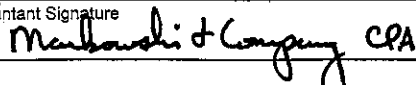
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Markowski & Company CPA's			
Street Address 2880 Spring Arbor Road		City Jackson	State MI
Accountant Signature 		ZIP 49203	Date 9/1/05

VILLAGE OF PARMA, INC.
JACKSON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

FEBRUARY, 28, 2005

VILLAGE OF PARMA, INC.
FINANCIAL STATEMENTS

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VILLAGE OF PARMA, INC.
FINANCIAL STATEMENTS

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MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Parma, Inc.
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the **Village of Parma, Inc.**, as of and for the year ended February 28, 2005, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Parma, Inc. at February 28, 2005, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

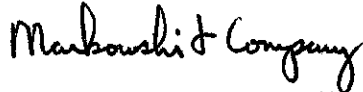
Village Council
Village of Parma, Inc.
Jackson County, Michigan

The Village of Parma, Inc. has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of February 28, 2005.

Management’s Discussion and Analysis and the budgetary comparison information, are not required parts of the basis financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Parma, Inc.’s basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY CPAs

August 30, 2005

Management's Discussion and Analysis

Village of Parma

PO Box 127
117 W. Main Street
Parma, MI 49269
517-531-4785
Fax: 517-531-5179

As the management of the Village of Parma, Inc., we are proud to present the first ever statements issued in accordance with the new governmental accounting standards. We provide this narrative overview and analysis of the Village's financial activities so that users may better assess the financial condition of the Village.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances, reporting all assets and liabilities of the Village, including infrastructure assets such as roads and sidewalks. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's net assets remain relatively stable. Operating results show a slight decrease in net assets. The past few years have been very difficult for the Village, and we believe that we have finally turned the corner. As part of our governmental activities, we have completed the repaving of one major street at a very reasonable cost. This project was funded entirely with Act 51 funds from the State of Michigan.

Our business activities also noted several improvements. Our newly completed municipal water system, and the proposed upgrades to our waste water disposal system, will allow the Village to experience growth. The water system infrastructure is now entirely in place, including a water tower which improves the reliability of the system.

In a condensed format, the table below shows net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 37,204	\$ 794,993	\$ 832,197
Noncurrent Assets	949,571	5,048,295	5,997,866
Total Assets	986,775	5,843,288	6,830,063
Current Liabilities	45,172	105,364	150,536
Long-Term Debt Outstanding	32,537	2,630,000	2,662,537
Total Liabilities	77,709	2,735,364	2,813,073
Net Assets			
Invested in Capital Assets - Net of Debt	931,726	1,807,916	2,739,642
Restricted for Debt Service	-	161,965	161,965
Unrestricted	(22,660)	1,138,043	1,115,383
Total Net Assets	\$ 909,066	\$ 3,107,924	\$ 4,016,990

Note: Only one year presented as this is the first year of reporting under GASB 34. Future reports will include a two year comparison of Village finances.

Management's Discussion and Analysis

Unrestricted net assets – the part of net assets that can be used to finance day to day operations have remained stable. The following table shows the changes of the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	\$ 20,448	\$ 174,183	\$ 194,631
Operating grants and Contributions	297,191	-	297,191
Capital grants and Contributions	-	20,598	20,598
General Revenues:			
Property Taxes	49,575	22,983	72,558
LDFA surplus tax distributions	128,621	-	128,621
Franchise fees	1,716	-	1,716
State-Shared Revenues	78,691	-	78,691
Interest and Rents	3,084	123,533	126,617
Other Income	4,523	-	4,523
Total Revenues	583,849	341,297	925,146
Program Expenses:			
General Government	89,224	-	89,224
Public Safety	351,201	-	351,201
Community Planning	2,463	-	2,463
Public Works	105,203	-	105,203
Cultural and Recreation	6,685	-	6,685
Other	34,163	-	34,163
Waste Water, Water and Garbage	-	427,312	427,312
Total Expenses	588,939	427,312	1,016,251
Change in Net Assets	\$ (5,090)	\$ (86,015)	\$ (91,105)

The Village's net assets have remained fairly stable.

Governmental Activities

The Village total revenues increased primarily due to the resumption of surplus tax distributions from the LDFA. This resulted in the Village receiving \$128,000, following the fulfillment of our contractual obligation to Sandstone Township. Future years should see this revenue at approximately \$65,000, which helps offset the decreases in state funding.

Business Type Activities

The Village's business-type activities consist of the Waste Water, Water and Garbage Enterprise Funds. The Waste Water Fund faces severe challenges in the near future, as a major upgrade to our lagoon system is needed. Project costs for this upgrade are approximately \$4.8 million, and we hope to obtain low interest financing through the state to keep the necessary rate increases as small as possible. Once this upgrade is completed, the Village anticipates significant growth, as the Steeplechase development, a proposed 250-400 residence neighborhood, has been placed on hold because of a lack of available utility capacity.

Management's Discussion and Analysis

The Village's Funds

The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The major funds were the General, and the Major and Local Street funds. The other funds, considered nonmajor, include the Restricted Police, Downtown Development Authority, and Fire Recovery Fund. The enterprise funds consist of Waste Water, Water, and Garbage.

Funds have been created to manage money for specific purposes, as well as show accountability for certain activities, such as property tax levies. The Governmental Funds pays for general operations of the Village buildings and grounds and police and fire departments, as well as Village streets. The Motor Pool Fund is an internal service fund.

General Fund Budgetary Highlights

The General Fund made significant progress towards eliminating its deficit this past year. Revenues exceeded budgeted amounts by \$33,000, while expenditures, excluding the \$34,000 of tax refunds required by a Tax Tribunal ruling, were actually \$8,700 less than budgeted. Careful planning will be important if the Village is to continue its progress.

Capital Asset and Debt Administration

At the end of the 2004/2005 fiscal year, the Village has a total net capital asset balance of \$5.5 million. This is made up of a broad range of capital assets, including buildings, water and sewer lines, and significant investments in streets. Most of the indebtedness was incurred to finance the construction of assets for Business - type activities. The only general debt was used to finance the Village's portion of a new fire truck acquired in 2004.

Economic Factors and Next Year's Budgets and Rates

For several years, the Village has seen very little growth. This has been due mainly to concerns over the capacity of the waste water treatment system. Because of concern over potential fines from the Michigan Department of Environmental Quality, new connections to the system have not been allowed. The restructured agreement which allowed the LDFA to continue for and additional 17 years started to pay off during the past fiscal year. This should provide a solid source of revenue for the foreseeable future, taking some pressure off the Village caused by declining state funding.

We anticipate that waste water and water rates will be adjusted as the proposed system upgrades are implemented, and the cost structure for these operations stabilize. The Council is committed to keeping any increases to the minimum necessary, so as not to deter the community's future growth.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office at 117 W. Main St., Parma, MI. 49269.

President – Jim Jenkins
Clerk – Katie Cotey
Treasurer – Mary France

Council Members:
Melissa Claxton
Richard Cooper
Helen Richards
Dwight Van Winkle
Terry Williams

VILLAGE OF PARMA, INC.
BASIC FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 108,338	\$ 95,658	\$ 203,996	\$ 806,634
Investments	2,500	423,093	425,593	-
Receivables	1,716	22,381	24,097	-
Assessments receivable - Current	-	43,066	43,066	-
Due from other governments	114,933	-	114,933	-
Prepaid expenses	17,565	-	17,565	6,250
Advanced expenses	-	2,947	2,947	-
Internal balances	(207,848)	207,848	-	-
Total current assets	<u>37,204</u>	<u>794,993</u>	<u>832,197</u>	<u>812,884</u>
Noncurrent Assets				
Capital assets, net	949,571	4,532,916	5,482,487	352,120
Assessments receivable - Long term	-	515,379	515,379	-
Total noncurrent assets	<u>949,571</u>	<u>5,048,295</u>	<u>5,997,866</u>	<u>352,120</u>
Total assets	<u>986,775</u>	<u>5,843,288</u>	<u>6,830,063</u>	<u>1,165,004</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	13,109	10,364	23,473	299,076
Accrued payroll	3,810	-	3,810	-
Accrued interest payable	1,099	-	1,099	-
Deferred revenue	23,850	-	23,850	-
Capital leases and contracts - Current	3,304	95,000	98,304	-
Total current liabilities	<u>45,172</u>	<u>105,364</u>	<u>150,536</u>	<u>299,076</u>
Noncurrent Liabilities:				
Capital leases and contracts - Long term	32,537	2,630,000	2,662,537	-
Total liabilities	<u>77,709</u>	<u>2,735,364</u>	<u>2,813,073</u>	<u>299,076</u>
NET ASSETS:				
Invested in capital assets - net of related debt	931,726	1,807,916	2,739,642	352,120
Restricted for debt service	-	161,965	161,965	-
Unrestricted	(22,660)	1,138,043	1,115,383	513,808
Total net assets	<u>\$ 909,066</u>	<u>\$ 3,107,924</u>	<u>\$ 4,016,990</u>	<u>\$ 865,928</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 89,224	\$ 2,400	\$ 1,964	\$ -
Public safety	351,201	17,514	228,438	-
Community planning	2,463	-	-	-
Public works	105,203	534	66,789	-
Cultural and recreation	6,685	-	-	-
Other	34,163	-	-	-
Total governmental activities	588,939	20,448	297,191	-
Business-type activities:				
Waste Water	96,302	56,185	-	-
Water	286,712	60,676	-	20,598
Garbage	44,298	57,322	-	-
Total business-type activities	427,312	174,183	-	20,598
Total primary government	\$ 1,016,251	\$ 194,631	\$ 297,191	\$ 20,598
Component Units:				
Local Development Finance Authority	\$ 349,527	\$ -	\$ -	\$ -

General revenues
Property taxes
LDFA surplus tax distribution
Franchise fees
State-shared revenues
Interest and rents
Other income
Total general revenues

Change in net assets
Net assets - Beginning
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (84,860)	\$ -	\$ (84,860)	\$ -
(105,249)	-	(105,249)	-
(2,463)	-	(2,463)	-
(37,880)	-	(37,880)	-
(6,685)	-	(6,685)	-
(34,163)	-	(34,163)	-
(271,300)	-	(271,300)	-
-	(40,117)	(40,117)	-
-	(205,438)	(205,438)	-
-	13,024	13,024	-
-	(232,531)	(232,531)	-
(271,300)	(232,531)	(503,831)	-
			(349,527)
49,575	22,983	72,558	356,159
128,621	-	128,621	-
1,716	-	1,716	-
78,691	-	78,691	-
3,084	123,533	126,617	7,446
4,523	-	4,523	-
266,210	146,516	412,726	363,605
(5,090)	(86,015)	(91,105)	14,078
914,156	3,193,939	4,108,095	851,850
\$ 909,066	\$ 3,107,924	\$ 4,016,990	\$ 865,928

VILLAGE OF PARMA, INC.

FUND FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	General		Major Street		Local Street		Non-Major Governmental Funds		Total Governmental Funds	
ASSETS										
Cash and cash equivalents	\$	74,044	\$	13,721	\$	4,084	\$	11,545	\$	103,394
Investments		-		-		-		2,500		2,500
Receivables		1,716		-		-		-		1,716
Due from other funds		47,015		701		14,788		-		62,504
Due from other governments		103,159		7,995		2,909		870		114,933
Prepaid expenses		4,340		-		-		-		4,340
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Total assets and other debits	\$	230,274	\$	22,417	\$	21,781	\$	14,915	\$	289,387
<hr/>										
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$	11,475	\$	73	\$	73	\$	456	\$	12,077
Accrued payroll		-		-		-		-		-
Due to other funds		229,899		14,745		1,373		344		246,361
Deferred revenue		23,850		-		-		-		23,850
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Total liabilities		265,224		14,818		1,446		800		282,288
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FUND BALANCES										
Fund balances - Unreserved		(34,950)		7,599		20,335		14,115		7,099
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Total liabilities, fund equity and other credits	\$	230,274	\$	22,417	\$	21,781	\$	14,915	\$	289,387
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total fund balance - total governmental funds	\$ 7,099
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This includes capital assets of the Internal Service Fund.	949,571
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	(20,079)
The Village's insurance policies currently have a term of July 1, 2004 to July 1, 2005. For the statement of net assets, the unexpired premiums are reported as a prepaid expense.	13,225
The Village's liability for unpaid sick, vacation, and compensatory time for its full time police officers is accrued as a liability for the statement of net assets	(3,810)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(35,841)
Interest on the long term liabilities which is payable as of the current fiscal year end, but not due until the following fiscal year, is accrued as a liability in the statement of net assets.	<u>(1,099)</u>
Net assets of governmental activities	<u>\$ 909,066</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28,2005

	General Fund	Major Street	Local Street	Non-Major Governmental Funds	Total
REVENUES:					
Taxes and penalties	\$ 49,575	\$ -	\$ -	\$ -	\$ 49,575
Licenses and permits	5,368	-	-	-	5,368
Intergovernmental	437,464	49,881	16,908	250	504,503
Charges for service	2,934	-	-	6,346	9,280
Fines and foreitures	-	-	-	7,516	7,516
Interest and rent	805	111	39	2,129	3,084
Other revenue	623	-	-	3,900	4,523
Total revenues	496,769	49,992	16,947	20,141	583,849
EXPENDITURES:					
Current:					
General government	84,183	-	-	-	84,183
Public safety	319,716	-	-	11,631	331,347
Community planning	2,463	-	-	-	2,463
Public works	17,231	38,533	17,711	-	73,475
Cultural and recreation	5,540	-	-	-	5,540
Other	34,163	-	-	-	34,163
Capital outlay	-	-	-	2,032	2,032
Debt service	4,953	-	-	-	4,953
Total expenditures	468,249	38,533	17,711	13,663	538,156
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,520	11,459	(764)	6,478	45,693
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES AND OTHER FINANCING FINANCING USES	28,520	11,459	(764)	6,478	45,693
FUND BALANCE - Beginning	(63,470)	(3,860)	21,099	7,637	(38,594)
FUND BALANCE - Ending	\$ (34,950)	\$ 7,599	\$ 20,335	\$ 14,115	\$ 7,099

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Net change in fund balances - total governmental funds	\$	45,693
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period.		19,577
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.		(69,716)
---	--	----------

The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund is included in governmental activities.		(4,235)
---	--	---------

The effect of reporting insurance expenses based on the full accrual method for the statement of activities results in a lower expense than the actual premiums paid this year.		1,410
---	--	-------

The current year increase or decrease in the liability for unpaid sick, vacation and compensatory earned by full time police officers is reported as an expense on the statement of activities.		(1,075)
---	--	---------

Principal payments on long term debt are applied to the liability balance under the full accrual accounting method. As a result, this year's principal payment is removed from the Village's expenditures.		3,159
--	--	-------

Interest expense differs from the actual interest paid when using the full accrual method of accounting. This year, the difference results in a lower expense.		97
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Change in net assets of governmental activities	\$	(5,090)
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 57,625	\$ 24,847	\$ 13,186	\$ 95,658	\$ 4,944
Investments	423,093	-	-	423,093	-
Accounts receivable	7,596	4,790	9,995	22,381	-
Assessments receivable - Current	-	43,066	-	43,066	-
Due from other funds	130,274	99,117	-	229,391	2,157
Advanced expenses	2,947	-	-	2,947	
Total current assets	621,535	171,820	23,181	813,589	7,101
NONCURRENT ASSETS:					
Capital assets, net	259,187	4,273,729	-	4,532,916	28,984
Assessments receivable	-	515,379	-	515,379	-
Deferred expenses	-	-	-	-	-
Total noncurrent assets	259,187	4,789,108	-	5,048,295	28,984
Total assets	880,722	4,960,928	23,181	5,861,884	36,085
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	2,918	7,446	-	10,364	510
Accrued interest payable	-	-	-	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	2,157	18,243	1,143	21,543	26,670
Capital leases payable - Current	-	95,000	-	95,000	-
Total current liabilities	5,075	120,689	1,143	126,907	27,180
NONCURRENT LIABILITIES:					
Capital leases payable	-	2,630,000	-	2,630,000	-
Total liabilities	5,075	2,750,689	1,143	2,756,907	27,180
NET ASSETS:					
Invested in capital assets - net of related debt	259,187	1,548,729	-	1,807,916	28,984
Restricted for debt service	-	161,965	-	161,965	-
Unrestricted	616,460	499,545	22,038	1,138,043	(20,079)
Total net assets	\$ 875,647	\$ 2,210,239	\$ 22,038	\$ 3,107,924	\$ 8,905

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
THE YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
OPERATING REVENUES:					
Charges for services	\$ 55,596	\$ 43,976	\$ 56,457	\$ 156,029	\$ 22,825
Interest and penalties	486	1,702	865	3,053	-
Connection fees	103	14,998	-	15,101	-
Total operating revenues	56,185	60,676	57,322	174,183	22,825
OPERATING EXPENSES:					
Administrative:					
Personal services	12,573	-	-	12,573	-
Payroll taxes	412	-	-	412	-
Office supplies	479	549	572	1,600	-
Professional services	2,610	5,650	1,250	9,510	-
Total administrative expenses	16,074	6,199	1,822	24,095	-
Operations and maintenance:					
Personal services	1,465	729	-	2,194	5,326
Payroll taxes	112	56	-	168	407
Materials and supplies	-	-	-	-	314
Contract services	25,967	26,667	42,476	95,110	-
Professional services	5,150	-	-	5,150	1,370
Tests and licenses	-	1,154	-	1,154	-
Gas and oil	-	-	-	-	2,077
Utilities	-	17,222	-	17,222	2,368
Repairs and maintenance	19,748	5,556	-	25,304	2,665
Rent	-	-	-	-	363
Operating supplies	-	6,572	-	6,572	-
Equipment usage	2,814	447	-	3,261	-
Miscellaneous	-	-	-	-	50
Depreciation	24,972	115,715	-	140,687	12,183
Total operations and maintenance	80,228	174,118	42,476	296,822	27,123
Total operating expenses	96,302	180,317	44,298	320,917	27,123
OPERATING INCOME	(40,117)	(119,641)	13,024	(146,734)	(4,298)
NON-OPERATING REVENUES (EXPENSES):					
Interest income	12,839	110,694	-	123,533	63
Collection of tax assessments	-	22,983	-	22,983	-
Other expense	-	(9,424)	-	(9,424)	-
Interest expense	-	(96,971)	-	(96,971)	-
Total non-operating revenues (expenses)	12,839	27,282	-	40,121	63
INCOME (LOSS) BEFORE CONTRIBUTIONS	(27,278)	(92,359)	13,024	(106,613)	(4,235)
CAPITAL CONTRIBUTIONS	-	20,598	-	20,598	-
CHANGE IN NET ASSETS	(27,278)	(71,761)	13,024	(86,015)	(4,235)
TOTAL NET ASSETS - Beginning of year	902,925	2,282,000	9,014	3,193,939	13,140
TOTAL NET ASSETS - End of year	\$ 875,647	\$ 2,210,239	\$ 22,038	\$ 3,107,924	\$ 8,905

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
THE YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 59,388	\$ 119,863	\$ 55,759	\$ 235,010	\$ -
Payments to suppliers	(58,419)	(79,158)	(44,298)	(181,875)	(9,628)
Payments to employees	(14,562)	(785)	-	(15,347)	(5,733)
Receipts for interfund services provided	-	-	-	-	17,672
Payment for interfund services provided	-	-	-	-	-
Net cash provided (used) by operating activities	(13,593)	39,920	11,461	37,788	2,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	-	-	-	-	-
Capital contributions	-	20,598	-	20,598	-
Purchase of capital assets	(57,463)	(20,598)	-	(78,061)	(16,774)
Principal and interest paid on capital debt	-	(211,971)	-	(211,971)	-
Collection of assessments	-	158,577	-	158,577	-
Net cash provided (used) by capital and related financing activities	(57,463)	(53,394)	-	(110,857)	(16,774)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund borrowings	-	18,203	1,357	19,560	-
Repayment of interfund borrowings	62,771	(65,681)	(1,107)	(4,017)	-
Net cash provided by non-capital financing activities	62,771	(47,478)	250	15,543	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments matured	-	25,305	-	25,305	-
Interest income	(4,254)	520	-	(3,734)	63
Net cash provided by investing activities	(4,254)	25,825	-	21,571	63
Net increase (decrease) in cash and cash equivalents	(12,539)	(35,127)	11,711	(35,955)	(14,400)
Balances - beginning of year	70,164	59,974	1,475	131,613	19,334
Balances - end of year	\$ 57,625	\$ 24,847	\$ 13,186	\$ 95,658	\$ 4,934
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (40,117)	\$ (85,484)	\$ 13,024	\$ (112,577)	(4,298)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	24,972	115,715	-	140,687	12,183
Change in assets and liabilities					
Receivables - net	3,203	15,606	(1,563)	17,246	-
Due from other funds	-	-	-	-	4,293
Accounts and other payables	(1,651)	(5,917)	-	(7,568)	(421)
Due to other funds	-	-	-	-	(9,446)
Net cash provided by operating activities	\$ (13,593)	\$ 39,920	\$ 11,461	\$ 37,788	\$ 2,311

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
FIDUCIARY FUND STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,939
Investments	16,989
Due from other funds	<u>522</u>
Total assets	<u><u>\$ 24,450</u></u>
<u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ 5,981
Due to other funds	-
Due to other groups	<u>18,469</u>
Total liabilities	<u><u>\$ 24,450</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
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VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Village of Parma, Inc (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village.

A. REPORTING ENTITY

The Village of Parma is incorporated under the provisions of Act 3 of 1895, as amended (General Law Village). The Village operates under an elected Council (five voting members, plus an elected clerk and treasurer) and provides the following services to its more than 900 residents: public safety (police, fire, and inspections), highways and streets, sanitation, cultural and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of the Village of Parma, Inc. include its primary government and its component units, entities for which the primary government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit - Based on the criteria established by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Local Development Finance Authority of the Village of Parma, Inc. (LDFA) has been included in the reporting entity as a discretely presented component unit. The LDFA was created by the Village in a resolution dated December 12, 1988 (most recently amended January 4, 2001) under the authority of Michigan Public Act 281.

The LDFA is governed by a separate eleven member board, consisting of four members appointed by the Village, three appointed by Sandstone Township, two appointed by Western School District and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition and development (including the extension of roads and utilities) for a certified industrial park. The LDFA also services the construction related bonded indebtedness.

A copy of the LDFA's audited financial statements may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI 49269.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (90 days for property taxes and state shared revenues). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Major governmental funds (continued):

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following nonmajor funds:

The Restricted Police Fund accounts for revenues generated by the Parma-Sandstone Police Department, which have been restricted by the Village Council. These revenues include ordinance fines and donations to the department.

The Downtown Development Authority Fund accounts for revenues set aside by the Village Council to create and implement a revitalization plan for the Village's downtown area.

The Fire Recovery Fund accounts for revenues generated by the Parma-Sandstone Fire Department, which have been restricted by the Village Council. These revenues include insurance recovery charges and donations to the department.

The Village reports the following major proprietary funds:

The Waste Water, Water and Garbage Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the Village reports the following fund types:

The Motor Pool Fund accounts for major machinery and equipment purchases and maintenance, provided to other departments of the Village on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements)

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes one agency fund. Since agency funds are custodial in nature, they do not involve the measurement or results of operations. The agency funds are as follows:

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Agency funds (continued) -

The Trust and Agency Fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

The Stay-n-Play Playground Fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS -

The Village considers cash on hand, cash in checking and savings accounts, or short term investments with an original maturity of less than 90 days as cash and cash equivalents for balance sheet purposes.

The Village Treasurer has invested certain cash in excess of current needs in bank and federally chartered credit union certificates of deposit with original maturities greater than 90 days. These are reported as investments in the accompanying financial statements, and are reported at their original cost.

State statutes and Village policies allow the Village to invest in obligations of the U.S. Treasury, certificates of deposit, certain commercial paper and corporate bonds, certain repurchase agreements, and investment pools whose assets are comprised of investments which would be legal if the Village invested directly in them.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. RECEIVABLES -

The Village records various receivables which are listed and described as follows:

- 1) Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of February 28, 2005.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue and Act 51 distributions. Amounts due from Jackson County for delinquent property taxes and ordinance fine distributions, and amounts due from the Village of Parma Local Development Finance Authority are also reported as due from other governments.
- 3) Assessments Receivable - The Village allowed residents to finance their portion of water supply project costs over twenty years through a special assessment. The portion due within one year is reported as a current asset.

F. CAPITAL ASSETS -

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, signs, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	10 to 30 years
Waste Water and Water lines	30 to 50 years
Paved Roads	20 years
Vehicles and equipment	5 to 10 years

G. COMPENSATED ABSENCES -

Under employment agreements with its full time police officers, the Village (and participating townships) are responsible for payment of unused vacation, sick and compensatory time earned by the officers. This is accrued when incurred in the government-wide financial statements, and the long term portion of this liability is reported as a liability in the Statement of Net Assets.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. LONG TERM OBLIGATIONS -

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. SHARED SERVICE AGREEMENTS:

The Village of Parma, Inc., along with the Townships of Parma and Sandstone, participate in the operation of the Parma-Sandstone Police and Fire Departments. Under the terms of the operating agreements for these departments, the Village performs all accounting functions, and reports all the expenditures in its financial statements. The cost sharing provided by the two townships is reported as revenue in the Village's financial statements.

K. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budget is approved by the Village Council prior to the start of its fiscal year, and after holding a public hearing. The budget may be adopted at any public meeting by a majority vote of the Council. During the fiscal year ended February 28, 2005, the Village did not amend its budget.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

B. BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated. The Village also did not adopt budgets for its other governmental funds. These are violations of Michigan Public Act 2 of 1968, commonly known as the Budgeting Act.

The detail of General Fund budget violations are presented in the following table:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Appropriations</u>
GENERAL FUND:			
Village Council	\$ 39,350	\$ 39,711	\$ (361)
Village Hall & Grounds	23,698	25,596	(1,898)
Parma-Sandstone Police	165,200	173,476	(8,276)
Inspections	5,000	7,086	(2,086)
General Public Works	14,430	14,731	(301)
Other Functions	-	34,163	(34,163)
Debt Service	-	4,953	(4,953)

C. DEFICIT FUND BALANCE -

The Village is also in violation of Public Act 2 of 1968 for having a deficit in its General Fund as of February 28, 2005. The deficit amount was actually reduced during the fiscal year ended February 28, 2005, from \$63,470 to \$34,950. The Village has not yet updated its deficit elimination plan which is on file with the Michigan Department of Treasury. This should have been done within 90 days of the fiscal year end.

D. BUILDING PERMITS:

The Village complied with state law requiring separate accounting for building permit fees and the related costs by establishing departments within the General Fund. Revenue for the year was \$3,652; the expenses were \$7,086.

NOTE 3 - DEPOSITS AND INVESTMENTS:

The Village's deposits consist of checking and savings accounts and deposits with local banks and a small amount of cash on hand. At year end, the Village's carrying amount of deposits was \$210,935 and the bank balance was \$333,876. \$162,726 of the bank balance was covered by federal depository insurance, leaving \$171,150 uninsured.

The carrying amount of deposits for the LDFA, a discretely presented component unit, was \$847,296, with a reported balance of \$806,634. Of the bank balance, only \$200,000 was covered by federal depository insurance.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At year end, the Village's investment balances were as follows:

	CATEGORY		CARRYING AMOUNT	MARKET VALUE
	1	2		
Certificates of deposit	\$ 200,000	\$ 242,582	\$ 442,582	\$ 442,582

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances as of February 28, 2005, is as follows:

Receivable Fund:	Amount	Payable Fund:	Amount
General	\$ 47,014	Major Streets	\$ 241
		Local Streets	1,373
		Restricted Police	344
		Water	18,243
		Garbage	1,143
		Motor Pool	25,670
	47,014		47,014
Major Street	701	Motor Pool	701
Local Street	14,788	Major Streets	14,504
	14,788	Motor Pool	284
			14,788
Waste Water	130,274	General	130,274
Water	99,117	General	99,102
	99,117	Motor Pool	15
			99,117
Motor Pool	2,157	Waste Water	2,157
Trust & Agency	522	General	522
Total	\$ 294,573	Total	\$ 294,573

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – ADVANCED EXPENSES:

The Village has capitalized certain preliminary engineering costs and initial operating expenses (incurred prior to placing the project in service) in its Waste Water fund. The project for which these costs have been incurred were not in service at February 28, 2005. When placed in service, the advanced expenses will be amortized over the project's useful life (expected to be forty years) using the straight-line method.

NOTE 6 – CAPITAL ASSETS:

Capital asset activity of the Village during the current year was as follows:

	<u>2/29/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/28/05</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 13,608	\$ -	\$ -	\$ 13,608
Capital assets being depreciated				
Buildings and Improvements	316,098	-	-	316,098
Machinery and Equipment	84,878	5,450	-	90,328
Office Equipment	9,282	-	-	9,282
Vehicles	326,769	12,000	-	338,769
Infrastructure	898,111	18,900	-	917,011
Subtotal	<u>1,635,138</u>	<u>36,350</u>	<u>-</u>	<u>1,671,488</u>
Less - Accumulated depreciation:				
Buildings and Improvements	104,719	8,855	-	113,574
Machinery and Equipment	72,371	5,403	-	77,774
Office Equipment	6,738	1,438	-	8,176
Vehicles	214,989	20,790	-	235,779
Infrastructure	254,809	45,413	-	300,222
Subtotal	<u>653,626</u>	<u>81,899</u>	<u>-</u>	<u>735,525</u>
Total capital assets being depreciated, net	<u>981,512</u>	<u>(45,549)</u>	<u>-</u>	<u>935,963</u>
Governmental activities capital assets, net	<u>\$ 995,120</u>	<u>\$ (45,549)</u>	<u>\$ -</u>	<u>\$ 949,571</u>

(This schedule includes the fixed assets of the Motor Pool Internal Service Fund).

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS: (Continued)

	<u>2/29/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/28/05</u>
Business-Type activities:				
Capital assets not being depreciated:				
Land	\$ 47,440	\$ -	\$ -	\$ 47,440
Capital assets being depreciated:				
Distribution and collection systems	2,309,293	-	-	2,309,293
Less - Accumulated depreciation:				
Distribution and collection systems	783,189	140,687	-	923,876
Net capital assets being depreciated	1,526,104	(140,687)	-	1,385,417
Business-type activities capital assets - net	\$ 1,573,544	\$ (140,687)	\$ -	\$ 1,432,857

There was no activity in the capital assets of the LDFA during the year ended February 28, 2005. The sole asset of the LDFA is vacant land suitable for industrial development. It is valued at its original cost of \$352,120.

Depreciation expense was charged to programs of the Village as follows:

GOVERNMENTAL ACTIVITIES	
General Government	\$ 5,216
Public Works	46,393
Public Safety	16,962
Cultural and Recreation	1,145
Internal service fund depreciation is charged to Public Works based on asset usage.	12,183
Total governmental activities	<u>\$ 81,899</u>
BUSINESS TYPE ACTIVITIES	
Waste Water	\$ 24,972
Water	115,715
Total business type activities	<u>\$ 140,687</u>

NOTE 7 – DEFERRED REVENUE:

The Village has been constructed a water supply system funded by the Michigan Department of Environmental Quality. This construction has been accounted for in the Village's General Fund. As of February 28, 2005, the Village had received grant reimbursements totaling \$23,850 more than qualified expenses. This amount is reported as deferred revenue.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – LONG TERM DEBT:

The long term debt of the Village can be summarized as follows:

A. GOVERNMENTAL LONG TERM DEBT:

In June 2003, The Village and Parma Township entered into a capital lease agreement with a fire apparatus manufacturer. This was done to finance their portion of a new 2003 Kenworth tanker purchased for the fire department.

The total capital lease payable is for \$78,000, and it was sold to a financial institution by the manufacturer upon completion of the arrangement. The Village is responsible for the repayment of \$39,000, plus interest, of this capital lease. The other half is the responsibility of Parma Township. Payments are due over in ten annual payments beginning in June 2004. Payments are due as follows:

B. BUSINESS - TYPE LONG TERM DEBT:

The Village and LDFA have entered into contracts with the County of Jackson relating to the construction of a community water supply system, a water tower, and water system expansions to service the Village and the LDFA. Terms of the contracts required the County to construct the projects, and then lease them to the Village and LDFA for as long as County issued bonds and loans used to finance this construction are outstanding.

The lease payments will be made in an amount sufficient to pay all principal and interest due on the County bonds and loans. The Village will be responsible for the operation, maintenance, and administration of the system. Ownership will revert to the Village upon retirement of the County debt.

The Village portion of the project was financed by the County Board of Public Works through a Michigan Drinking Water Revolving Loan Fund loan. The terms of this \$1,110,000 loan call for principal payments over twenty years, commencing April 1, 2003 and ending April 1, 2022. The County requires payments thirty days prior to this schedule. Interest is charged at a fixed rate of 2.5%.

The LDFA portion of the project was financed by the County Board of Public Works through the issuance of \$1,800,000 of general obligation limited tax bonds. Bond payments will be made starting with an interest only payment due on April 1, 2003 through the final interest and principal payment due on October 1, 2021. The County requires payments thirty days prior to this schedule. The Village will make payments on this lease with tax increment revenues received from the LDFA.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – LONG TERM DEBT:

A summary of the capital leases payable is as follows:

	<u>2/29/04</u>	<u>New Debt</u>	<u>Payments</u>	<u>2/28/05</u>
Governmental Debt:				
Contract payable	\$ 39,000	\$ -	\$ (3,159)	\$ 35,841
Business-Type Debt:				
Village Project lease	1,065,000	-	(90,000)	975,000
LDFA Project lease	1,775,000	-	(25,000)	1,750,000
Total business-type debt	2,840,000	-	(115,000)	2,725,000
Total long term debt	\$ 2,879,000	\$ -	\$ (118,159)	\$ 2,760,841

Payments are due as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Debt</u>	<u>Business-Type Debt</u>	<u>Total</u>
February 28, 2006	\$ 4,953	\$ 186,575	\$ 191,528
February 28, 2007	4,953	187,700	192,653
February 29, 2008	4,953	184,325	189,278
February 28, 2009	4,953	206,294	211,247
February 28, 2010	4,953	202,888	207,841
Thereafter	19,810	2,701,993	2,721,803
Total payments	44,575	3,669,775	3,714,350
Less: Interest	(8,734)	(944,775)	(953,509)
Principal due	\$ 35,841	\$ 2,725,000	\$ 2,760,841

NOTE 9 - FUND EQUITY:

A. RESERVED AND DESIGNATED:

Generally accepted governmental accounting principles require that fund equity be reserved in certain instances to reflect amounts not available for expenditure in future periods.

The Water Enterprise Fund has designated the assessments collected, less debt service payments to date, as being available only for debt service. This totaled \$161,965 at February 28, 2005.

B. RESTATEd RETAINED EARNINGS:

In previous years, the Village was not properly tracking the breakdown of payments received on assessments into principal and interest. The entire payment was being posted as principal. During the fiscal year ended February 28, 2005, the Clerk and Treasurer recomputed prior payments received and restated the assessment receivable balance. As a result, beginning retained earnings in the Water Fund was increased by

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – PROPERTY TAXES:

The Village levies property taxes each July, based upon the taxable value of property as of the preceding December 31. The tax bills are due September 14. Taxes paid after that time incur a penalty of 1% per month. Taxes unpaid at February 28 are returned delinquent to the County Treasurer for collection. In return, the Village receives a payment for the unpaid taxes levied on real property, plus 6% penalty. The unpaid taxes levied on personal property (business equipment and fixtures, and certain leased property) are paid to the Village upon collection by the County. The Village is responsible for repayment to the County if the real taxes remain uncollected. The Village reimburses the County approximately \$100 annually for these taxes, plus interest.

On March 15, 1994 Michigan voters approved an amendment to the Michigan Constitution permitting ad valorem taxes to be levied on a non-uniform basis. Beginning in 1995, taxable property has two valuations – State Equalized Value (SEV – supposed to approximate 50% of the property's current fair value) and Taxable Value. Property taxes are levied on the Taxable Value. The Village relies on the township assessors from Parma and Sandstone Townships to determine these values.

Generally, taxable value is to be computed as the lesser of: a) Taxable Value of the immediately preceding year, adjusted for loss, multiplied by the lesser of the net percentage change in the property's SEV, the rate of inflation, or 5%, plus additions, or b) the property's SEV.

The Village's millage rate is established annually following a public hearing. Without voter approval, the rate is limited to that of the prior year with limited to the amount necessary to increase the total levy (excluding additions and deletions) by an amount not to exceed the annual rate of inflation.

A summary of the Village's Taxable Values, Operating Millage Rates, Total taxes Levied, Collections Through February 28, County Settlement for Real Taxes, and Unpaid Delinquent Personal Property Taxes at February 28 for the past five years is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
2004	\$ 32,194,611	4.5986	\$ 148,048	\$ 145,150	\$ 2,755	\$ 143
2003	\$ 43,700,538	5.1200	\$ 223,746	\$ 219,307	\$ 4,404	\$ 35
2002	\$ 20,768,487	5.1200	\$ 106,333	\$ 100,490	\$ 5,709	\$ 134
2001	\$ 26,762,241	5.1200	\$ 137,023	\$ 131,820	\$ 5,122	\$ 81
2000	\$ 9,414,586	5.1200	\$ 48,201	\$ 44,163	\$ 3,897	\$ 141

The State of Michigan provides significant tax incentives to encourage industry to renovate and expand aging industrial facilities and to attract new industrial facilities under Michigan Public Act 198 of 1974. This Act allows units to establish districts within which property owners will pay an Industrial Facilities tax rather than an ad valorem tax for up to twelve years.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – PROPERTY TAXES: (Continued)

For such districts established prior to January 1994, plant and equipment is taxed at one-half the total mills levied by all taxing units. For new districts created after 1993, plant and equipment is taxed at one-half the total mills levied except mills levied under the State Education Tax Act, plus the number of mills levied under that Act.

There are currently nine IFT certificates (districts) in the Village of Parma. A summary of the past five years' levies is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Returned Delinquent
2004	\$ 56,581,697	2.30000	\$ 130,138	\$ 130,138	\$ -
2003	\$ 63,089,830	2.56000	\$ 161,510	\$ 161,510	\$ -
2002	\$ 74,177,789	2.56000	\$ 189,895	\$ 189,895	\$ -
2001	\$ 49,615,680	2.56000	\$ 127,016	\$ 127,016	\$ -
2000	\$ 68,793,969	2.56000	\$ 176,113	\$ 176,113	\$ -

The Village's ad valorem and industrial facilities taxes levied on property within the Village of Parma LDFA are subject to capture by the LDFA. For the fiscal year 2005 (tax levy 2004), the LDFA captured the following amounts:

	TAXABLE VALUE	LEVY
Ad valorem	\$ 21,542,876	\$ 99,067
Industrial Facilities Tax	56,581,697	130,138
	<u>\$ 78,124,573</u>	<u>\$ 229,205</u>

In 2002, the Village began levying a special millage for hydrants and other community water system construction expenses which could not be attributed to a specific property. This tax levy is restricted to debt payments on the capital lease payable of the Water Enterprise Fund. A summary of the levy is as follows:

TAX YEAR	TAXABLE VALUE	HYDRANT MILLAGE RATE	TOTAL LEVY	COLLECTED THROUGH 2/28	DELINQUENT REAL (PAID BY COUNTY)	DELINQUENT PERSONALS
Ad Valorem:						
2004	\$ 32,194,611	0.3800	\$ 12,232	\$ 11,989	\$ 231	\$ 12
2003	\$ 43,700,538	0.3800	\$ 16,605	\$ 16,276	\$ 326	\$ 3
2002	\$ 20,768,487	0.3800	\$ 7,890	\$ 7,465	\$ 415	\$ 10
Industrial Facilities Tax:						
2004	\$ 56,581,697	0.1900	\$ 10,751	\$ 10,751	\$ -	\$ -
2003	\$ 63,089,830	0.1900	\$ 11,987	\$ 11,987	\$ -	\$ -
2002	\$ 74,177,789	0.1900	\$ 14,094	\$ 14,094	\$ -	\$ -

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - EMPLOYEES' RETIREMENT PLANS:

The Village of Parma contributes to defined contribution retirement plans established by the Village's two full-time police officers. These separate plans are in the name of the officers, and the Village's contributions are made under the terms of their employment agreements.

A defined contribution retirement plan provides benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of these contributions. Contributions made by the employees and contributions by the Village both vest immediately. The employees contribute up to 5% of their base pay each week (pay period) to the plan. The Village contribution equals 10% of base wages.

During the year, the Village's required and actual contributions amounted to \$8,527, which was 9.7% of its current-year covered payroll. The police officers also contributed \$2,523, which was 2.9% of the Village's current-year covered payroll.

The Village of Parma also has a Simple IRA plan, which was established in March of 1999, for its long-time DPW employee. The employee's contribution during the year was \$0; the Village match totaled \$0.

Total payroll for the fiscal year ending February 28, 2005 was \$247,970, and total payroll eligible for retirement benefits was \$87,935.

The plans held no securities of the Village or other related parties during the year or as of the close of the fiscal year.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

The Village has the following commitments and/or contingencies at February 28, 2005:

A. SEWAGE TREATMENT:

Tests performed during the fiscal year ended February 28, 2001 revealed that the Village's waste water treatment lagoons were leaking at a rate above that allowed by state statute. The State's Department of Environmental Quality has the authority to fine the Village up to \$25,000 per day for each day of noncompliance.

The Village is currently exploring its options to correct this problem, and has approved an application for project funding through a state revolving loan fund.

Preliminary plans project a \$4.8 million total cost to renovate and expand the Village's waste water treatment facility.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – COMMITMENTS AND CONTINGENCIES: (Continued)

B. EMPLOYMENT AGREEMENTS:

The Parma-Sandstone Police Department has always retained its chief on an annual contract. During the fiscal year ended February 28, 2002 discussion arose over the interpretation of the retirement provisions in the contract. It is the chief's position that the department was to place ten percent of his wages, and a match equal to that, into a qualified retirement program. The Department has instead been placing approximately 2-3% into such a plan. Discussions are in the early stage, but should additional funds be required for the retirement plan, the Village would be obligated to provide one-third of the necessary amount. An assessment of the amounts involved has not been performed, but the chief's annual salary is currently approximately \$50,000, and he has been employed by the Department for approximately 29 years.

NOTE 13 – GOING CONCERN:

The Village incurred a substantial deficit in its General Fund during the year ended February 29, 2004, leaving it with an accumulated fund deficit (liabilities greater than assets of the fund). The Village had substantial capital outlays during 2004, which are not expected to recur; also, the revenue returned to the Village by the LDFA is expected to generate approximately \$65,000 during the next fiscal year, and into the foreseeable future. These two factors mitigate concern over the Village's ability to continue its operations.

As reported in these financial statements, the Village has reduced its General Fund deficit to \$34,950. This was assisted by an LDFA distribution equal to approximately \$93,000 (net of related tax refunds), and other expenditure reductions.

NOTE 14 – RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in municipal self-insurance entities through the Michigan Municipal League for these risks. The entities obtain excess reinsurance to limit losses to participants.

NOTE 15 – SUBSEQUENT EVENTS:

A. WASTE WATER SYSTEM UPGRADES:

The Village has studied its options to address problems with its waste water treatment lagoons (see Note 15) and tentatively decided to renovate and expand its treatment plant. The Village intends to proceed with this option, contingent to approval of its loan application filed in June 2005. The Village expects to receive word on its application in September 2005. Early projections of the proposed project indicate that the Village's costs could be \$4.8 million.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – SUBSEQUENT EVENTS: (Continued)

B. POLICE CAPITAL PURCHASES:

In July 2005, the Village purchased a new patrol vehicle for approximately \$25,000. This vehicle will be owned by the Parma-Sandstone Police Department.

The Council also awarded a bid to replace the roof on the Police Station. Project costs are expected to be approximately \$30,000.

The Village is responsible for one-third of the Parma-Sandstone Police Department's capital costs.

C. FIRE DEPARTMENT FINANCING:

Parma and Sandstone Townships have approved a putting a millage request to finance the Parma-Sandstone Fire Department to their voters in November 2005. Should this request be approved, the entities intend to reduce the contributions from their (and the Village's) operating budgets which currently finance the Department's operations. This would result in savings to the Village of approximately \$25,000 annually.

VILLAGE OF PARMA, INC.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts			Variance With Final Budgeted Positive (Negative)
	Original	Final Amended	Actual	
REVENUES:				
TAXES AND PENALTIES:				
Current property taxes	\$ 404,000	\$ 404,000	\$ 148,048	\$ (255,952)
Less: Captured by LDFA	(273,200)	(273,200)	(99,067)	174,133
Net current property taxes	130,800	130,800	48,981	(81,819)
Industrial Facilities Tax	-	-	130,138	130,138
Less: Captured by LDFA	-	-	(130,138)	(130,138)
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	33	33	132	99
Delinquent taxes collected	-	-	26	26
Administrative fee	600	600	224	(376)
Interest and penalties	-	-	212	212
Total taxes and penalties	131,433	131,433	49,575	(81,858)
LICENSES AND PERMITS:				
Cable TV franchise fees	1,800	1,800	1,716	(84)
Permits	600	600	3,652	3,052
Total licenses and permits	2,400	2,400	5,368	2,968
INTERGOVERNMENTAL:				
State grants - DEQ Water Project	-	-	-	-
LDFA distribution of excess capture	-	-	128,621	128,621
State shared revenues	66,000	66,000	78,691	12,691
Liquor inspections	-	-	615	615
Police grants	800	800	1,315	515
Library expense sharing	1,200	1,200	1,964	764
Sandstone Township - Police	58,520	58,520	59,875	1,355
Sandstone Township - Fire	59,140	59,140	53,254	(5,886)
Parma Township - Police	58,520	58,520	59,875	1,355
Parma Township - Fire	59,140	59,140	53,254	(5,886)
Total intergovernmental	303,320	303,320	437,464	134,144
CHARGES FOR SERVICES:				
Bookkeeping fees	2,400	2,400	2,400	-
Sale of leaf bags	400	400	534	134
Total charges for service	2,800	2,800	2,934	134
FINES AND FORFEITURES:				
Penal fines	6,800	6,800	-	(6,800)
Total charges for service	6,800	6,800	-	(6,800)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
REVENUES: (Continued)				
INTEREST	\$ 170	\$ 170	\$ 805	\$ 635
OTHER:				
Miscellaneous	10,302	10,302	-	(10,302)
Sidewalk assessments	250	250	498	248
Donations - Police	3,100	3,100	125	(2,975)
Reimbursements - Fire	2,500	2,500	-	(2,500)
Reimbursements - Police	650	650	-	(650)
Total other revenue	16,802	16,802	623	(16,179)
Total revenues	463,725	463,725	496,769	33,044
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT:				
Village Council:				
Council Salaries	21,000	21,000	19,997	1,003
Payroll taxes	1,600	1,600	2,835	(1,235)
Professional services	15,000	15,000	13,213	1,787
Contract services	-	-	1,909	(1,909)
Membership and dues	1,750	1,750	1,757	(7)
Total Village Council	39,350	39,350	39,711	(361)
Elections:				
Salaries	-	-	310	(310)
Payroll taxes	-	-	-	-
Supplies	500	500	177	323
Total elections	500	500	487	13
Clerk:				
Salary	8,400	8,400	6,757	1,643
Payroll taxes	575	575	1,106	(531)
Office supplies	2,000	2,000	2,558	(558)
Total clerk	10,975	10,975	10,421	554

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts			Variance With Final Budgeted Positive (Negative)
	Original	Final Amended	Actual	
EXPENDITURES: (Continued)				
Current: (Continued)				
GENERAL GOVERNMENT: (Continued)				
Treasurer:				
Salary	\$ 8,400	\$ 8,400	\$ 7,229	\$ 1,171
Payroll taxes	575	575	727	(152)
Tax statements	50	50	12	38
Total treasurer	9,025	9,025	7,968	1,057
Village Hall and Grounds:				
Wages	2,300	2,300	738	1,562
Payroll taxes	230	230	56	174
Fringe benefits	-	-	-	-
Unemployment taxes	-	-	954	(954)
Workers compensation insurance	-	-	-	-
Office equipment repair	-	-	470	(470)
Office supplies	250	250	346	(96)
Operating supplies	-	-	489	(489)
Repairs and maintenance	150	150	531	(381)
Contract labor	-	-	-	-
Printing	200	200	463	(263)
Insurance	10,600	10,600	11,390	(790)
Utilities	8,268	8,268	8,879	(611)
Uniforms	800	800	849	(49)
Miscellaneous	900	900	431	469
Total village hall and grounds	23,698	23,698	25,596	(1,898)
Total general government	83,548	83,548	84,183	(635)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC SAFETY:				
Parma - Sandstone Police Department:				
Wages	\$ 99,438	\$ 99,438	\$ 102,364	\$ (2,926)
Payroll taxes	7,700	7,700	7,811	(111)
Unemployment taxes	-	-	2,778	(2,778)
Workers compensation insurance	-	-	-	-
Fringe benefits	32,787	32,787	36,024	(3,237)
Office supplies	800	800	703	97
Uniforms	-	-	-	-
Operating supplies	500	500	2,258	(1,758)
Radio maintenance	-	-	600	(600)
Auto maintenance	2,000	2,000	4,187	(2,187)
Gas & Oil	3,600	3,600	3,563	37
Printing	-	-	-	-
Insurance	11,500	11,500	8,177	3,323
Utilities	4,764	4,764	2,555	2,209
Computer expense	1,611	1,611	704	907
Repairs and maintenance	-	-	-	-
Schooling	300	300	-	300
Miscellaneous	200	200	1,752	(1,552)
Total Parma - Sandstone Police	165,200	165,200	173,476	(8,276)
Village Police:				
Wages	5,500	5,500	5,291	209
Payroll taxes	421	421	405	16
Expenses	150	150	-	150
Auto	750	750	887	(137)
Gas & Oil	350	350	574	(224)
Total village police	7,171	7,171	7,157	14
Police JUMP Program:				
Wages	1,100	1,100	-	1,100
Payroll taxes	100	100	-	100
Total village police	1,200	1,200	-	1,214

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts			Variance With Final Budgeted Positive (Negative)
	Original	Final Amended	Actual	
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC SAFETY: (Continued)				
Parma - Sandstone Fire Department:				
Wages	\$ 65,100	\$ 65,100	\$ 61,213	\$ 3,887
Payroll taxes	5,100	5,100	4,932	168
Office supplies	1,200	1,200	637	563
Operating supplies	5,175	5,175	2,151	3,024
Repairs and maintenance	2,500	2,500	3,251	(751)
Radio maintenance	3,500	3,500	3,444	56
Computer expense	1,500	1,500	984	516
Truck maintenance	10,000	10,000	8,673	1,327
Gas & Oil	4,000	4,000	3,620	380
Printing	300	300	-	300
Insurance	18,900	18,900	19,004	(104)
Health exams	2,000	2,000	1,017	983
Utilities	10,503	10,503	7,390	3,113
Building maintenance	3,200	3,200	3,767	(567)
Schooling	2,500	2,500	1,251	1,249
Membership dues	1,275	1,275	1,165	110
Turnout cleaning	-	-	1,126	(1,126)
Miscellaneous	600	600	415	185
Capital outlay (Under \$1,000)	-	-	7,957	(7,957)
Total Parma - Sandstone Fire	137,353	137,353	131,997	5,356
Inspections:				
Wages	2,500	2,500	3,120	(620)
Payroll taxes	-	-	239	(239)
Inspector fees	2,500	2,500	3,727	(1,227)
Total inspections	5,000	5,000	7,086	(2,086)
Total public safety	315,924	315,924	319,716	(3,778)
COMMUNITY PLANNING:				
Planning Commission:				
Wages	1,615	1,615	2,288	(673)
Payroll taxes	58	58	175	(117)
Operating supplies	900	900	-	900
Total Planning Commission	2,573	2,573	2,463	110

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC WORKS:				
Sanitation and Landfill:				
Wages	\$ 2,750	\$ 2,750	\$ 2,322	\$ 428
Payroll taxes	-	-	178	(178)
Spring clean up	-	-	-	-
Equipment usage	1,700	1,700	-	1,700
Total sanitation and landfill	4,450	4,450	2,500	1,950
DEQ Water Project - Construction	-	-	-	-
General Public Works:				
Biodegradable leaf bags	340	340	956	(616)
Downtown/Community improvements	-	-	50	(50)
Street lighting	11,590	11,590	9,013	2,577
Sidewalk construction	200	200	-	200
Tree removal and replacement	1,500	1,500	1,675	(175)
Equipment usage	800	800	3,037	(2,237)
Total general public works	14,430	14,430	14,731	(301)
		-	-	
Total public works	18,880	18,880	17,231	1,649
CULTURAL AND RECREATIONAL :				
Parks and Recreation:				
Labor	700	700	439	261
Payroll taxes	-	-	34	(34)
Contract services	3,200	3,200	1,621	1,579
Pavillion	1,000	1,000	1,361	(361)
Utilities	2,000	2,000	1,966	34
Equipment usage	1,500	1,500	119	1,381
Parma - Sandstone Recreation	-	-	-	-
Total parks and recreation	8,400	8,400	5,540	2,860
OTHER FUNCTIONS:				
Tax refunds	-	-	34,163	(34,163)
Total other functions	-	-	34,163	(34,163)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
EXPENDITURES: (Continued)				
CAPITAL OUTLAY:				
General	\$ 500	\$ 500	\$ -	\$ 500
Parma - Sandstone Police	-	-	-	-
Fire	8,000	8,000	-	8,000
Parks	-	-	-	-
Total capital outlay	8,500	8,500	-	8,500
DEBT SERVICE:				
Principal	-	-	3,159	(3,159)
Intetrest	-	-	1,794	(1,794)
Total debt service	-	-	4,953	(4,953)
Total expenditures	437,825	437,825	468,249	(30,410)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,900	25,900	28,520	2,620
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	25,900	25,900	28,520	2,620
FUND BALANCE - Beginning	(63,470)	(63,470)	(63,470)	-
FUND BALANCE - End	\$ (37,570)	\$ (37,570)	\$ (34,950)	\$ 2,620

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MAJOR STREET FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	-	-	46,505	46,505
Metro Act revenue	-	-	3,376	3,376
Total intergovernmental	-	-	49,881	49,881
Interest	-	-	111	111
Total revenues	-	-	49,992	49,992
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	-	-	33,251	(33,251)
Winter maintenance	-	-	2,643	(2,643)
Traffic Control	-	-	151	(151)
Drain maintenance	-	-	993	(993)
Roadside park maintenance	-	-	715	(715)
Nonmotorized projects	-	-	-	-
Administration	-	-	780	(780)
Total expenditures	-	-	38,533	(38,533)
EXCESS OF REVENUES UNDER				
EXPENDITURES	-	-	11,459	11,459
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	-	-	11,459	11,459
FUND BALANCE - Beginning of year	(3,860)	(3,860)	(3,860)	-
FUND BALANCE - End of year	\$ (3,860)	\$ (3,860)	\$ 7,599	\$ 11,459

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LOCAL STREET FUND
THE YEAR ENDED FEBRUARY 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budgeted Positive (Negative)
	Original	Final Amended		
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	-	-	16,908	16,908
Total intergovernmental	-	-	16,908	16,908
Interest	-	-	39	39
Total revenues	-	-	16,947	16,947
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	-	-	11,415	(11,415)
Winter maintenance	-	-	2,437	(2,437)
Traffic Control	-	-	-	-
Drain maintenance	-	-	3,074	(3,074)
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	-	-	785	(785)
Total expenditures	-	-	17,711	(17,711)
EXCESS OF REVENUES UNDER EXPENDITURES	-	-	(764)	(764)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	-	(764)	(764)
FUND BALANCE - Beginning of year	(21,099)	21,099	21,099	-
FUND BALANCE - End of year	\$ (21,099)	\$ 21,099	\$ 20,335	\$ (764)

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.

ADDITIONAL INFORMATION

VILLAGE OF PARMA, INC.

**COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS:

RESTRICTED POLICE FUND - This fund is used to account for revenues generated by the Parma - Sandstone Police Department which have been restricted by the Village Council. These revenues include ordinance fines and donations to the department.

DOWNTOWN DEVELOPMENT AUTHORITY - This fund was established by the Village Council to account for revenues set aside to create and implement a revitalization plan for the Village's downtown area.

FIRE RECOVERY FUND - This fund is used to account for revenues generated by the Parma - Sandstone Fire Department which have been restricted by the Village Council. These revenues include insurance recovery charges and donations to the department.

FIDUCIARY FUNDS:

TRUST AND AGENCY FUND - This fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

STAY-N-PLAY PLAYGROUND FUND - This fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

VILLAGE OF PARMA, INC.
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 FEBRUARY 28, 2005

	Restricted Police	Downtown Development Authority	Fire Recovery	Total
ASSETS:				
Cash and cash equivalents	\$ 4,901	\$ 103	\$ 6,541	\$ 11,545
Investments	-	-	2,500	2,500
Due from other funds	-	-	-	-
Due from other governments	870	-	-	870
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 5,771	\$ 103	\$ 9,041	\$ 14,915
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	455	-	-	\$ 455
Due to other funds	345	-	-	345
Total liabilities	800	-	-	800
	<hr/>	<hr/>	<hr/>	<hr/>
FUND EQUITY:				
Unreserved	4,971	103	9,041	14,115
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	\$ 5,771	\$ 103	\$ 9,041	\$ 14,915
	<hr/>	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
THE YEAR ENDED FEBRUARY 28, 2005

	Restricted Police	Downtown Development Authority	Fire Recovery	Total
REVENUES:				
Intergovernmental	\$ 250	\$ -	\$ -	\$ 250
Charges for service	-	-	6,346	6,346
Fines and forfeitures	7,516	-	-	7,516
Interest and rents	2,129	-	-	2,129
Other	2,900	-	1,000	3,900
Total revenues	12,795	-	7,346	20,141
EXPENDITURES:				
Public Safety				
Uniforms	561	-	-	561
Operating supplies	1,293	-	390	1,683
Professional services	4,100	-	-	4,100
Radio maintenance	736	-	-	736
Auto maintenance	70	-	503	573
Phone, cellular, pager	-	-	-	-
Building repairs	1,600	-	-	1,600
Computer expense	260	-	-	260
Schooling	626	-	383	1,009
Miscellaneous	1,109	-	-	1,109
Total public safety	10,355	-	1,276	11,631
Capital outlay	2,032	-	-	2,032
Total expenditures	12,387	-	1,276	13,663
EXCESS OF REVENUES UNDER EXPENDITURES	408	-	6,070	6,478
OTHER FINANCING SOURCES (USES);				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	408	-	6,070	6,478
FUND BALANCE - Beginning of year	4,563	103	2,971	7,637
FUND BALANCE - End of year	\$ 4,971	\$ 103	\$ 9,041	\$ 14,115

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
FEBRUARY 28, 2005

	Trust and Agency	Stay-n-Play Playground	Total
ASSETS:			
Cash	\$ 5,459	\$ 1,480	\$ 6,939
Investments	-	16,989	16,989
Due from other funds	522	-	522
Total assets	<u>\$ 5,981</u>	<u>\$ 18,469</u>	<u>\$ 24,450</u>
LIABILITIES:			
Accrued payroll taxes and withholdings	\$ 5,981	\$ -	\$ 5,981
Due to other funds	-	-	-
Due to other governments	-	-	-
Due to other groups	-	18,469	18,469
Total liabilities	<u>\$ 5,981</u>	<u>\$ 18,469</u>	<u>\$ 24,450</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Balance 02/29/04	Additions	Deletions	Balance 02/28/05
TRUST AND AGENCY FUND:				
ASSETS:				
Cash	\$ 6,204	\$ 119,271	\$ 120,016	\$ 5,459
Investments	-	-	-	-
Due from other funds	-	722	200	522
Total assets	<u>\$ 6,204</u>	<u>\$ 119,993</u>	<u>\$ 120,216</u>	<u>\$ 5,981</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ 4,129	\$ 119,993	\$ 118,141	\$ 5,981
Due to other funds	2,000	-	2,000	-
Due to other governments	-	-	-	-
Due to other groups	75	-	75	-
Total liabilities	<u>\$ 6,204</u>	<u>\$ 119,993</u>	<u>\$ 120,216</u>	<u>\$ 5,981</u>
STAY-N-PLAY PLAYGROUND FUND:				
ASSETS:				
Cash	\$ 1,476	\$ 9	\$ 5	\$ 1,480
Investments	16,768	221	-	16,989
Due from other funds	-	-	-	-
Total assets	<u>\$ 18,244</u>	<u>\$ 230</u>	<u>\$ 5</u>	<u>\$ 18,469</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Due to other groups	18,244	230	5	18,469
Total liabilities	<u>\$ 18,244</u>	<u>\$ 230</u>	<u>\$ 5</u>	<u>\$ 18,469</u>
 Total	 <u>\$ 24,448</u>	 <u>\$ 120,223</u>	 <u>\$ 120,221</u>	 <u>\$ 24,450</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
INDIVIDUAL FUND STATEMENTS

VILLAGE OF PARMA, INC.
BALANCE SHEET
GENERAL FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 74,044	\$ 78,298
Investments - At cost	-	-
Receivables	1,716	8,746
Due from other funds	47,015	47,925
Due from other governments	103,159	50,924
Prepaid expenses	<u>4,340</u>	<u>1,920</u>
Total assets and other debits	<u>\$ 230,274</u>	<u>\$ 187,813</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 11,475	\$ 9,748
Due to other funds	229,899	216,577
Deferred revenue	<u>23,850</u>	<u>24,958</u>
Total liabilities	<u>265,224</u>	<u>251,283</u>
FUND EQUITY:		
Fund balance:		
Reserved	-	-
Designated	-	-
Unreserved and undesignated	<u>(34,950)</u>	<u>(63,470)</u>
Total fund equity	<u>(34,950)</u>	<u>(63,470)</u>
Total liabilities and fund equity	<u>\$ 230,274</u>	<u>\$ 187,813</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
REVENUES:				
TAXES AND PENALTIES:				
Current property taxes	\$ 404,000	\$ 148,048	\$ (255,952)	\$ 223,746
Less: Captured by LDFA	(273,200)	(99,067)	174,133	(172,330)
Net current property taxes	130,800	48,981	(81,819)	51,416
Industrial Facilities Tax	-	130,138	130,138	161,510
Less: Captured by LDFA	-	(130,138)	(130,138)	(161,510)
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	33	132	99	26
Delinquent taxes collected	-	26	26	109
Administrative fee	600	224	(376)	328
Interest and penalties	-	212	212	879
Total taxes and penalties	131,433	49,575	(81,858)	52,758
LICENSES AND PERMITS:				
Cable TV franchise fees	1,800	1,716	(84)	1,825
Permits	600	3,652	3,052	5,066
Total licenses and permits	2,400	5,368	2,968	6,891
INTERGOVERNMENTAL:				
State grants - DEQ Water Project	-	-	-	6,373
LDFA Distribution of excess capture	-	128,621	128,621	-
State shared revenues	66,000	78,691	12,691	79,860
Liquor inspections	-	615	615	608
Police grants	800	1,315	515	1,663
Library expense sharing	1,200	1,964	764	1,651
Sandstone Township - Police	58,520	59,875	1,355	84,602
Sandstone Township - Fire	59,140	53,254	(5,886)	51,355
Parma Township - Police	58,520	59,875	1,355	84,602
Parma Township - Fire	59,140	53,254	(5,886)	51,355
Total intergovernmental	303,320	437,464	134,144	362,069
CHARGES FOR SERVICES:				
Bookkeeping fees	2,400	2,400	-	2,400
Sale of leaf bags	400	534	134	748
Total charges for service	2,800	2,934	134	3,148
FINES AND FORFEITURES:				
Penal fines	6,800	-	(6,800)	-
Total charges for service	6,800	-	(6,800)	-

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
REVENUES: (Continued)				
INTEREST	\$ 170	\$ 805	\$ 635	\$ 727
OTHER:				
Miscellaneous	10,302	-	(10,302)	4,544
Sidewalk assessments	250	498	248	1,176
Reimbursements - General	3,100	125	(2,975)	-
Reimbursements - Fire	2,500	-	(2,500)	2,057
Reimbursements - Police	650	-	(650)	621
Total other revenue	16,802	623	(16,179)	8,398
Total revenues	463,725	496,769	33,044	433,991
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT:				
Village Council:				
Council Salaries	21,000	19,997	1,003	13,619
Payroll taxes	1,600	2,835	(1,235)	1,246
Professional services	15,000	13,213	1,787	14,789
Contract services	-	1,909	(1,909)	-
Membership and dues	1,750	1,757	(7)	1,594
Total Village Council	39,350	39,711	(361)	31,248
Elections:				
Salaries	-	310	(310)	132
Payroll taxes	-	-	-	-
Supplies	500	177	323	-
Total elections	500	487	13	132
Clerk:				
Salary	8,400	6,757	1,643	5,144
Payroll taxes	575	1,106	(531)	282
Office supplies	2,000	2,558	(558)	1,787
Total clerk	10,975	10,421	554	7,213

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
GENERAL GOVERNMENT: (Continued)				
Treasurer:				
Salary	\$ 8,400	\$ 7,229	\$ 1,171	\$ 6,117
Payroll taxes	575	727	(152)	468
Tax statements	50	12	38	-
Total treasurer	9,025	7,968	1,057	6,585
Village Hall and Grounds:				
Wages	2,300	738	1,562	2,637
Payroll taxes	230	56	174	202
Fringe benefits	-	-	-	29
Unemployment taxes	-	954	(954)	783
Workers compensation insurance	-	-	-	936
Office equipment repair	-	470	(470)	250
Office supplies	250	346	(96)	-
Operating supplies	-	489	(489)	207
Repairs and maintenance	150	531	(381)	2,153
Contract labor	-	-	-	-
Printing	200	463	(263)	199
Insurance	10,600	11,390	(790)	10,989
Utilities	8,268	8,879	(611)	10,149
Uniforms	800	849	(49)	891
Miscellaneous	900	431	469	6,151
Total village hall and grounds	23,698	25,596	(1,898)	35,576
Total general government	83,548	84,183	(635)	80,754

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC SAFETY:				
Parma - Sandstone Police Department:				
Wages	\$ 99,438	\$ 102,364	\$ (2,926)	\$ 102,653
Payroll taxes	7,700	7,811	(111)	7,853
Unemployment taxes	-	2,778	(2,778)	1,004
Workers compensation insurance	-	-	-	-
Fringe benefits	32,787	36,024	(3,237)	33,117
Office supplies	800	703	97	777
Uniforms	-	-	-	-
Operating supplies	500	2,258	(1,758)	632
Radio maintenance	-	600	(600)	-
Auto maintenance	2,000	4,187	(2,187)	3,004
Gas & Oil	3,600	3,563	37	3,395
Printing	-	-	-	116
Insurance	11,500	8,177	3,323	6,066
Utilities	4,764	2,555	2,209	5,017
Computer expense	1,611	704	907	-
Repairs and maintenance	-	-	-	2,438
Schooling	300	-	300	13
Miscellaneous	200	1,752	(1,552)	-
Total Parma - Sandstone Police	165,200	173,476	(8,276)	166,085
Village Police:				
Wages	5,500	5,291	209	6,155
Payroll taxes	421	405	16	471
Expenses	150	-	150	149
Auto	750	887	(137)	565
Gas & Oil	350	574	(224)	844
Total village police	7,171	7,157	14	8,184
Police JUMP Program:				
Wages	1,100	-	-	-
Payroll taxes	100	-	-	-
Total village police	1,200	-	-	-

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC SAFETY: (Continued)				
Parma - Sandstone Fire Department:				
Wages	\$ 65,100	\$ 61,213	\$ 3,887	\$ 60,198
Payroll taxes	5,100	4,932	168	5,489
Office supplies	1,200	637	563	2,054
Operating supplies	5,175	2,151	3,024	9,164
Repairs and maintenance	2,500	3,251	(751)	1,391
Radio maintenance	3,500	3,444	56	4,324
Computer expense	1,500	984	516	1,493
Truck maintenance	10,000	8,673	1,327	7,750
Gas & Oil	4,000	3,620	380	3,815
Printing	300	-	300	36
Insurance	18,900	19,004	(104)	18,210
Health exams	2,000	1,017	983	381
Utilities	10,503	7,390	3,113	9,151
Building maintenance	3,200	3,767	(567)	994
Schooling	2,500	1,251	1,249	847
Membership dues	1,275	1,165	110	1,934
Turnout cleaning	-	1,126	(1,126)	652
Miscellaneous	600	415	185	327
Capital outlay (under \$1,000)	-	7,957	(7,957)	137
Total Parma - Sandstone Fire	137,353	131,997	5,356	128,347
Inspections:				
Wages	2,500	3,120	(620)	-
Payroll taxes	-	239	(239)	-
Inspector fees	2,500	3,727	(1,227)	5,223
Total inspections	5,000	7,086	(2,086)	5,223
Total public safety	315,924	319,716	(4,992)	307,839
COMMUNITY PLANNING:				
Planning Commission:				
Wages	1,615	2,288	(673)	2,591
Payroll taxes	58	175	(117)	198
Operating supplies	900	-	900	-
Total Planning Commission	2,573	2,463	110	2,789

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC WORKS:				
Sanitation and Landfill:				
Wages	\$ 2,750	\$ 2,322	\$ 428	\$ 4,088
Payroll taxes	-	178	(178)	313
Spring clean up	-	-	-	-
Equipment usage	1,700	-	1,700	6,774
Total sanitation and landfill	4,450	2,500	1,950	11,175
DEQ Water Project - Construction	-	-	-	6,373
General Public Works:				
Biodegradable leaf bags	340	956	(616)	-
Downtown/Community improvements	-	50	(50)	-
Street lighting	11,590	9,013	2,577	10,637
Sidewalk construction	200	-	200	-
Tree removal and replacement	1,500	1,675	(175)	1,450
Equipment usage	800	3,037	(2,237)	309
Total general public works	14,430	14,731	(301)	12,396
Total public works	18,880	17,231	1,649	29,944
CULTURAL AND RECREATIONAL :				
Parks and Recreation:				
Labor	700	439	261	598
Payroll taxes	-	34	(34)	46
Contract services	3,200	1,621	1,579	1,250
Pavillion	1,000	1,361	(361)	922
Utilities	2,000	1,966	34	2,332
Equipment usage	1,500	119	1,381	581
Parma - Sandstone Recreation	-	-	-	-
Total parks and recreation	8,400	5,540	2,860	5,729
OTHER FUNCTIONS:				
Tax refunds	-	34,163	(34,163)	37
Total other functions	-	34,163	(34,163)	37

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	Final Amended Budget	Actual	Variance With Budget Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)				
CAPITAL OUTLAY:				
General	\$ 500	\$ -	\$ 500	\$ 385
Parma - Sandstone Police	-	-	-	80,828
Fire	8,000	-	8,000	3,195
Parks	-	-	-	-
Total capital outlay	8,500	-	8,500	84,408
DEBT SERVICE:				
Principal	-	3,159	(3,159)	-
Intetrest	-	1,794	(1,794)	-
Total debt service	-	4,953	(4,953)	-
Total expenditures	437,825	468,249	(31,624)	511,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,900	28,520	(2,620)	(77,509)
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	(11,266)
Total other financing sources (uses)	-	-	-	(11,266)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	25,900	28,520	(2,620)	(88,775)
FUND BALANCE - Beginning	(63,470)	(63,470)	-	25,305
FUND BALANCE - End	\$ (37,570)	\$ (34,950)	\$ (2,620)	\$ (63,470)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
MAJOR STREET FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 13,721	\$ 22,300
Due from other funds	701	-
Due from other governments	<u>7,995</u>	<u>8,389</u>
Total assets	<u>\$ 22,417</u>	<u>\$ 30,689</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 73	\$ 56
Due to other funds	<u>14,745</u>	<u>34,493</u>
Total liabilities	<u>14,818</u>	<u>34,549</u>
FUND EQUITY:		
Unreserved	<u>7,599</u>	<u>(3,860)</u>
Total liabilities and fund equity	<u>\$ 22,417</u>	<u>\$ 30,689</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MAJOR STREET FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	-	46,505	46,505	45,126
Metro Act revenue	-	3,376	3,376	-
Total intergovernmental	-	49,881	49,881	45,126
Interest	-	111	111	-
Total revenues	-	49,992	49,992	45,126
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	-	33,251	(33,251)	15,074
Winter maintenance	-	2,643	(2,643)	4,246
Traffic Control	-	151	(151)	-
Drain maintenance	-	993	(993)	1,111
Roadside park maintenance	-	715	(715)	417
Nonmotorized projects	-	-	-	-
Administration	-	780	(780)	827
Total expenditures	-	38,533	(38,533)	21,675
EXCESS OF REVENUES UNDER				
EXPENDITURES	-	11,459	11,459	23,451
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	-	11,459	11,459	23,451
FUND BALANCE - Beginning of year	(3,860)	(3,860)	-	(27,311)
FUND BALANCE - End of year	\$ (3,860)	\$ 7,599	\$ 11,459	\$ (3,860)

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
LOCAL STREET FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 4,084	\$ 5,689
Due from other funds	14,788	17,732
Due from other governments	<u>2,909</u>	<u>3,048</u>
 Total assets	 <u>\$ 21,781</u>	 <u>\$ 26,469</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 73	\$ 56
Due to other funds	<u>1,373</u>	<u>5,314</u>
Total liabilities	<u>1,446</u>	<u>5,370</u>
 FUND EQUITY:		
Unreserved	 <u>20,335</u>	 <u>21,099</u>
 Total liabilities and fund equity	 <u>\$ 21,781</u>	 <u>\$ 26,469</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	-	16,908	16,908	16,356
Total intergovernmental	-	16,908	16,908	16,356
Interest	-	39	39	-
Total revenues	-	16,947	16,947	16,356
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	-	11,415	(11,415)	9,350
Winter maintenance	-	2,437	(2,437)	4,385
Traffic Control	-	-	-	56
Drain maintenance	-	3,074	(3,074)	1,257
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	-	785	(785)	797
Total expenditures	-	17,711	(17,711)	15,845
EXCESS OF REVENUES UNDER				
EXPENDITURES	-	(764)	(764)	511
OTHER FINANCING SOURCES (USES);				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	-	(764)	(764)	511
FUND BALANCE - Beginning of year	21,099	21,099	-	20,588
FUND BALANCE - End of year	\$ 21,099	\$ 20,335	\$ (764)	\$ 21,099

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
RESTRICTED POLICE FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 4,901	\$ 4,614
Due from other governments	870	981
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 5,771</u></u>	<u><u>\$ 5,595</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 456	\$ 35
Due to other funds	<u>344</u>	<u>997</u>
Total liabilities	<u><u>800</u></u>	<u><u>1,032</u></u>
FUND EQUITY:		
Unreserved	<u>4,971</u>	<u>4,563</u>
Total liabilities and fund equity	<u><u>\$ 5,771</u></u>	<u><u>\$ 5,595</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESTRICTED POLICE FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental	\$ -	\$ 250	\$ 250	\$ -
Fines and forfeitures	-	7,516	7,516	8,107
Interest and rents	-	2,129	2,129	1,582
Other	-	2,900	2,900	4,180
Total revenues	-	12,795	12,795	13,869
EXPENDITURES:				
Public Safety:				
Uniforms	-	561	(561)	1,203
Operating supplies	-	1,293	(1,293)	642
Professional services	-	4,100	(4,100)	4,500
Radio maintenance	-	736	(736)	-
Auto maintenance	-	70	(70)	698
Phone, cellular, pager	-	-	-	35
Building repairs	-	1,600	(1,600)	1,726
Computer expense	-	260	(260)	-
Schooling	-	626	(626)	682
Miscellaneous	-	1,109	(1,109)	642
Total public safety	-	10,355	(10,355)	-
Capital outlay	-	2,032	(2,032)	10,444
Total expenditures	-	12,387	(12,387)	20,572
EXCESS OF REVENUES UNDER				
EXPENDITURES	-	408	408	(6,703)
OTHER FINANCING SOURCES (USES);				
Operating transfers in	-	-	-	11,266
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	11,266
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	-	408	408	4,563
FUND BALANCE - Beginning of year	-	4,563	4,563	-
FUND BALANCE - End of year	\$ -	\$ 4,971	\$ 4,971	\$ 4,563

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 103	\$ 103
Investments	-	-
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 103</u></u>	<u><u>\$ 103</u></u>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Bank overdraft	\$ -	\$ -
Accounts payable	-	-
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
FUND EQUITY:		
Unreserved	<u>103</u>	<u>103</u>
Total liabilities and fund equity	<u><u>\$ 103</u></u>	<u><u>\$ 103</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT AUTHORITY
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for service		-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Community Development:				
Uniforms	-	-	-	-
Miscellaneous	-	-	-	-
Total public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES UNDER				
 EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES);				
Sale of fixed assets	-	-	-	-
Proceeds from long term debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND				
 OTHER FINANCING SOURCES				
 OVER (UNDER) EXPENDITURES				
 AND OTHER FINANCING (USES)	-	-	-	-
FUND BALANCE - Beginning of year	-	103	103	103
FUND BALANCE - End of year	\$ -	\$ 103	\$ 103	\$ 103

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
FIRE RECOVERY FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 6,541	\$ 2,971
Investments	2,500	-
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 9,041</u></u>	<u><u>\$ 2,971</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
FUND EQUITY:		
Unreserved	<u>9,041</u>	<u>2,971</u>
Total liabilities and fund balance	<u><u>\$ 9,041</u></u>	<u><u>\$ 2,971</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FIRE RECOVERY FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 39,000
Charges for service		6,346	6,346	5,081
Interest	-	-	-	125
Other	-	1,000	1,000	7
Total revenues	-	7,346	7,346	44,213
EXPENDITURES:				
Public Safety:				
Uniforms	-	-	-	-
Operating supplies	-	390	(390)	999
Professional services	-	-	-	-
Radio maintenance	-	-	-	-
Auto maintenance	-	503	(503)	-
Phone, cellular, pager	-	-	-	-
Building repairs	-	-	-	-
Schooling	-	383	(383)	-
Miscellaneous	-	-	-	-
Total public safety	-	1,276	(1,276)	-
Capital outlay	-	-	-	138,558
Total expenditures	-	1,276	(1,276)	139,557
EXCESS OF REVENUES UNDER				
EXPENDITURES	-	6,070	6,070	(95,344)
OTHER FINANCING SOURCES (USES);				
Sale of fixed assets	-	-	-	765
Proceeds from long term debt	-	-	-	78,000
Total other financing sources (uses)	-	-	-	78,765
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	-	6,070	6,070	(16,579)
FUND BALANCE - Beginning of year	-	2,971	2,971	19,550
FUND BALANCE - End of year	\$ -	\$ 9,041	\$ 9,041	\$ 2,971

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
WASTE WATER FUND
FEBRUARY 28, 2005
(With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 57,625	\$ 70,164
Investments, at cost	<u>423,093</u>	<u>406,000</u>
Receivables:		
Accounts	7,596	10,799
Assessments/Connection Fees - Current portion	<u>-</u>	<u>-</u>
Total receivables	<u>7,596</u>	<u>10,799</u>
Due from other funds	<u>130,274</u>	<u>192,121</u>
Advanced expenses	<u>2,947</u>	<u>2,947</u>
Total current assets	<u>621,535</u>	<u>682,031</u>
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	<u>259,187</u>	<u>226,696</u>
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 880,722</u></u>	<u><u>\$ 908,727</u></u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,918	\$ 4,569
Due to other funds	2,157	1,233
Capital lease payable - Current	<u>-</u>	<u>-</u>
Total current liabilities	<u>5,075</u>	<u>5,802</u>
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	<u>-</u>	<u>-</u>
Total liabilities	<u>5,075</u>	<u>5,802</u>
FUND EQUITY -		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	<u>875,647</u>	<u>902,925</u>
Total fund equity	<u>875,647</u>	<u>902,925</u>
Total liabilities and fund equity	<u><u>\$ 880,722</u></u>	<u><u>\$ 908,727</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WASTE WATER FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Taxes - Hydrant rental	\$ -	\$ -
Charges for services:		
Connection fees	103	850
Service charges	55,596	39,668
Total charges for services	55,699	40,518
Interest and penalties	486	240
Total operating revenues	56,185	40,758
OPERATING EXPENSES:		
Administration:		
Council salaries	1,050	3,142
Clerical salaries	11,523	10,166
Payroll taxes	412	1,024
Office supplies	479	190
Professional services	2,610	2,265
Total administration	16,074	16,787
Operations and maintenance:		
Salaries	1,465	1,537
Payroll taxes	112	118
Cost of garbage service	-	-
Contract services	25,967	21,663
Professional services	-	-
Utilities	5,150	3,320
Repairs and maintenance	19,748	47,099
Operating supplies	-	-
Equipment usage	2,814	1,644
Miscellaneous	-	188
Total operations and maintenance	55,256	75,569
Depreciation	24,972	22,822
Total operating expenses	96,302	115,178
OPERATING INCOME (LOSS)	(40,117)	(74,420)
NON-OPERATING REVENUES/EXPENSES -		
Interest expense	-	-
Interest income	12,839	8,960
Total non-operating revenues/expenses	12,839	8,960
NET INCOME (LOSS)	(27,278)	(65,460)
RETAINED EARNINGS - Beginning	902,925	968,385
RETAINED EARNINGS - Ending	\$ 875,647	\$ 902,925

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
WATER FUND
FEBRUARY 28, 2005
(With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,847	\$ 59,974
Investments, at cost	<u>-</u>	<u>25,305</u>
Receivables:		
Accounts	4,790	40,994
Assessments/Connection Fees - Current portion	<u>43,066</u>	<u>40,592</u>
Total receivables	<u>47,856</u>	<u>81,586</u>
Due from other funds	99,117	33,436
Advanced expenses	<u>-</u>	<u>-</u>
Total current assets	<u>171,820</u>	<u>200,301</u>
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	<u>4,273,729</u>	<u>4,368,846</u>
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	<u>515,379</u>	<u>540,494</u>
 Total assets	 <u><u>\$ 4,960,928</u></u>	 <u><u>\$ 5,109,641</u></u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,446	\$ 13,363
Due to other funds	18,243	40
Capital lease payable - Current	<u>95,000</u>	<u>70,000</u>
Total current liabilities	<u>120,689</u>	<u>83,403</u>
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	<u>2,630,000</u>	<u>2,770,000</u>
Total liabilities	<u>2,750,689</u>	<u>2,853,403</u>
FUND EQUITY -		
Retained earnings - Designated for debt service	161,965	116,665
Retained earnings - Undesignated	<u>2,048,274</u>	<u>2,139,573</u>
Total fund equity	<u>2,210,239</u>	<u>2,256,238</u>
 Total liabilities and fund equity	 <u><u>\$ 4,960,928</u></u>	 <u><u>\$ 5,109,641</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WATER FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Taxes - Hydrant rental	\$ 22,983	\$ 28,592
Intergovernmental - State DEQ grant	<u>20,598</u>	<u>-</u>
Charges for services:		
Connection fees	14,998	-
Service charges	<u>43,976</u>	<u>53,583</u>
Total charges for services	58,974	53,583
Interest and penalties	<u>1,702</u>	<u>1,408</u>
Total operating revenues	<u>104,257</u>	<u>83,583</u>
OPERATING EXPENSES:		
Administration:		
Council salaries	-	1,520
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	549	329
Professional services	<u>5,650</u>	<u>4,935</u>
Total administration	<u>6,199</u>	<u>6,784</u>
Operations and maintenance:		
Salaries	729	637
Payroll taxes	56	49
Cost of garbage service	-	-
Contract services	26,667	23,215
Tests and licenses	1,154	-
Utilities	17,222	19,988
Repairs and maintenance	5,556	13,737
Operating supplies	6,572	3,685
Equipment usage	447	585
Miscellaneous - Prior hydrant tax refund	<u>9,424</u>	<u>3,663</u>
Total operations and maintenance	<u>67,827</u>	<u>65,559</u>
Depreciation	<u>115,715</u>	<u>55,703</u>
Total operating expenses	<u>189,741</u>	<u>128,046</u>
OPERATING INCOME (LOSS)	<u>(85,484)</u>	<u>(44,463)</u>
NON-OPERATING REVENUES/EXPENSES -		
Interest expense	(96,971)	(130,215)
Interest income	<u>110,694</u>	<u>118,504</u>
Total non-operating revenues/expenses	<u>13,723</u>	<u>(11,711)</u>
NET INCOME	(71,761)	(56,174)
RETAINED EARNINGS - Beginning (Restated)	<u>2,282,000</u>	<u>2,312,412</u>
RETAINED EARNINGS - Ending	<u>\$ 2,210,239</u>	<u>\$ 2,256,238</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
GARBAGE FUND
FEBRUARY 28, 2005
(With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,186	\$ 1,475
Investments, at cost	<u>-</u>	<u>-</u>
Receivables:		
Accounts	9,995	8,432
Assessments/Connections Fees - Current portion	<u>-</u>	<u>-</u>
Total receivables	<u>9,995</u>	<u>8,432</u>
Due from other funds	<u>-</u>	1,357
Advanced expenses	<u>-</u>	<u>-</u>
Total current assets	<u>23,181</u>	<u>11,264</u>
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	<u>-</u>	<u>-</u>
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,181</u>	<u>\$ 11,264</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	1,143	2,250
Capital lease payable - Current portion	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,143</u>	<u>2,250</u>
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	<u>-</u>	<u>-</u>
Total liabilities	<u>1,143</u>	<u>2,250</u>
FUND EQUITY -		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	<u>22,038</u>	<u>9,014</u>
Total fund equity	<u>22,038</u>	<u>9,014</u>
Total liabilities and fund equity	<u>\$ 23,181</u>	<u>\$ 11,264</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
GARBAGE FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	2005	2004
OPERATING REVENUES:		
Taxes - Hydrant rental	\$ -	\$ -
Charges for services:		
Connection fees	-	-
Service charges	56,457	50,703
Total charges for services	56,457	50,703
Interest and penalties	865	393
Total operating revenues	57,322	51,096
OPERATING EXPENSES:		
Administration:		
Council salaries	-	-
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	572	313
Professional services	1,250	1,450
Total administration	1,822	1,763
Operations and maintenance:		
Salaries	-	-
Payroll taxes	-	-
Cost of garbage service	42,476	48,151
Contract services	-	-
Professional services	-	-
Utilities	-	-
Repairs and maintenance	-	-
Operating supplies	-	-
Equipment usage	-	-
Miscellaneous	-	-
Total operations and maintenance	42,476	48,151
Depreciation	-	-
Total operating expenses	44,298	49,914
OPERATING INCOME (LOSS)	13,024	1,182
NON-OPERATING REVENUES -		
Interest expense	-	-
Interest income	-	-
Total non-operating revenues/expenses	-	-
NET INCOME (LOSS)	13,024	1,182
RETAINED EARNINGS - Beginning	9,014	7,832
RETAINED EARNINGS - Ending	\$ 22,038	\$ 9,014

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
MOTOR POOL FUND
 FEBRUARY 28, 2005
 (With comparative amounts as of February 29, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and cash equivalents	\$ 4,944	\$ 19,344
Investments, at cost	<u>-</u>	<u>-</u>
Receivables:		
Accounts	-	-
Accrued interest	<u>-</u>	<u>-</u>
Total receivables	<u>-</u>	<u>-</u>
Due from other funds	<u>2,157</u>	<u>6,450</u>
Advanced expenses	-	-
Capital assets (Net)	<u>28,984</u>	<u>24,394</u>
 Total assets	 <u><u>\$ 36,085</u></u>	 <u><u>\$ 50,188</u></u>
LIABILITIES:		
Accounts payable	\$ 510	\$ 931
Due to other funds	<u>26,670</u>	<u>36,116</u>
Total liabilities	<u>27,180</u>	<u>37,047</u>
FUND EQUITY -		
Retained earnings	<u>8,905</u>	<u>13,141</u>
 Total liabilities and fund equity	 <u><u>\$ 36,085</u></u>	 <u><u>\$ 50,188</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
MOTOR POOL FUND
THE YEAR ENDED FEBRUARY 28, 2005
(With comparative amounts from the year ended February 29, 2004)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES - Rentals	\$ 22,825	\$ 26,536
OPERATING EXPENSES:		
Operations and Maintenance:		
Salaries	5,326	5,252
Payroll taxes	407	292
Materials and supplies	314	267
Professional Services	1,370	800
Maintenance	2,422	1,600
Gas and oil	2,077	1,254
Insurance	-	-
Utilities	2,368	2,680
Repairs and maintenance	243	-
Rent	363	150
Miscellaneous	50	338
Total operations and maintenance	<u>14,940</u>	<u>12,633</u>
Depreciation	12,183	11,632
Total operating expenses	<u>27,123</u>	<u>24,265</u>
OPERATING INCOME (LOSS)	(4,298)	2,271
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	63	-
Sale of fixed assets	-	-
Transfers (out)	-	-
Total non-operating revenues (expenses)	<u>63</u>	<u>-</u>
NET INCOME (LOSS)	(4,235)	2,271
RETAINED EARNINGS - Beginning	13,140	10,870
RETAINED EARNINGS - Ending	<u>\$ 8,905</u>	<u>\$ 13,141</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
SCHEDULES OF INDEBTEDNESS

VILLAGE OF PARMA
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (DRINKING WATER REVOLVING LOAN FUND)
\$1,110,000 SERIES 2002 B

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
09/01/02		-	-	-	3,759.89	3,759.89	02/28/03
03/01/03	2.50%	45,000.00	1,125.00	45,000.00	11,621.42	56,621.42	02/28/03
09/01/03		-	-	-	12,905.01	12,905.01	
03/01/04	2.50%	45,000.00	1,125.00	45,000.00	13,211.19	58,211.19	02/29/04
09/01/04		-	-	-	12,750.00	12,750.00	
03/01/05	2.50%	45,000.00	1,125.00	45,000.00	12,757.55	57,757.55	02/28/05
09/01/05		-	-	-	12,187.50	12,187.50	
03/01/06	2.50%	45,000.00	1,125.00	45,000.00	12,187.50	57,187.50	02/28/06
09/01/06		-	-	-	11,625.00	11,625.00	
03/01/07	2.50%	50,000.00	1,250.00	50,000.00	11,625.00	61,625.00	02/28/07
09/01/07		-	-	-	11,000.00	11,000.00	
03/01/08	2.50%	50,000.00	1,250.00	50,000.00	11,000.00	61,000.00	02/29/08
09/01/08		-	-	-	10,375.00	10,375.00	
03/01/09	2.50%	50,000.00	1,250.00	50,000.00	10,375.00	60,375.00	02/28/09
09/01/09		-	-	-	9,750.00	9,750.00	
03/01/10	2.50%	50,000.00	1,250.00	50,000.00	9,750.00	59,750.00	02/28/10
09/01/10		-	-	-	9,125.00	9,125.00	
03/01/11	2.50%	55,000.00	1,375.00	55,000.00	9,125.00	64,125.00	02/28/11
09/01/11		-	-	-	8,437.50	8,437.50	
03/01/12	2.50%	55,000.00	1,375.00	55,000.00	8,437.50	63,437.50	02/29/12
09/01/12		-	-	-	7,750.00	7,750.00	
03/01/13	2.50%	55,000.00	1,375.00	55,000.00	7,750.00	62,750.00	02/28/13
09/01/13		-	-	-	7,062.50	7,062.50	
03/01/14	2.50%	55,000.00	1,375.00	55,000.00	7,062.50	62,062.50	02/28/14
09/01/14		-	-	-	6,375.00	6,375.00	
03/01/15	2.50%	60,000.00	1,500.00	60,000.00	6,375.00	66,375.00	02/28/15
09/01/15		-	-	-	5,625.00	5,625.00	
03/01/16	2.50%	60,000.00	1,500.00	60,000.00	5,625.00	65,625.00	02/29/16
09/01/16		-	-	-	4,875.00	4,875.00	
03/01/17	2.50%	60,000.00	1,500.00	60,000.00	4,875.00	64,875.00	02/28/17
09/01/17		-	-	-	4,125.00	4,125.00	
03/01/18	2.50%	60,000.00	1,500.00	60,000.00	4,125.00	64,125.00	02/28/18
09/01/18		-	-	-	3,375.00	3,375.00	
03/01/19	2.50%	65,000.00	1,625.00	65,000.00	3,375.00	68,375.00	02/28/19
09/01/19		-	-	-	2,562.50	2,562.50	
03/01/20	2.50%	65,000.00	1,625.00	65,000.00	2,562.50	67,562.50	02/29/20
09/01/20		-	-	-	1,750.00	1,750.00	
03/01/21	2.50%	70,000.00	1,750.00	70,000.00	1,750.00	71,750.00	02/28/21
09/01/21		-	-	-	875.00	875.00	
03/01/22	2.50%	70,000.00	1,750.00	70,000.00	875.00	70,875.00	02/28/22
		1,110,000.00	27,750.00	1,110,000.00	300,755.06	1,410,755.06	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (LDFA PROJECT)
\$1,800,000 2002 Series A

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
03/01/03		-	-	-	35,662.50	35,662.50	
09/01/03	5.50%	25,000.00	1,375.00	25,000.00	35,662.50	60,662.50	02/29/04
03/01/04		-	-	-	34,975.00	34,975.00	
09/01/04	5.50%	25,000.00	1,375.00	25,000.00	34,975.00	59,975.00	02/28/05
03/01/05		-	-	-	34,287.50	34,287.50	
09/01/05	5.50%	50,000.00	2,750.00	50,000.00	34,287.50	84,287.50	02/28/06
03/01/06		-	-	-	32,912.50	32,912.50	
09/01/06	5.50%	50,000.00	2,750.00	50,000.00	32,912.50	82,912.50	02/28/07
03/01/07		-	-	-	31,537.50	31,537.50	
09/01/07	3.00%	50,000.00	1,500.00	50,000.00	31,537.50	81,537.50	02/29/08
03/01/08		-	-	-	30,787.50	30,787.50	
09/01/08	2.75%	75,000.00	2,062.50	75,000.00	30,787.50	105,787.50	02/28/09
03/01/09		-	-	-	29,756.25	29,756.25	
09/01/09	3.00%	75,000.00	2,250.00	75,000.00	29,756.25	104,756.25	02/28/10
03/01/10		-	-	-	28,631.25	28,631.25	
09/01/10	3.20%	75,000.00	2,400.00	75,000.00	28,631.25	103,631.25	02/28/11
03/01/11		-	-	-	27,431.25	27,431.25	
09/01/11	3.30%	100,000.00	3,300.00	100,000.00	27,431.25	127,431.25	02/29/12
03/01/12		-	-	-	25,781.25	25,781.25	
09/01/12	3.40%	100,000.00	3,400.00	100,000.00	25,781.25	125,781.25	02/28/13
03/01/13		-	-	-	24,081.25	24,081.25	
09/01/13	3.55%	100,000.00	3,550.00	100,000.00	24,081.25	124,081.25	02/28/14
03/01/14		-	-	-	22,306.25	22,306.25	
09/01/14	3.70%	125,000.00	4,625.00	125,000.00	22,306.25	147,306.25	02/28/15
03/01/15		-	-	-	19,993.75	19,993.75	
09/01/15	3.85%	125,000.00	4,812.50	125,000.00	19,993.75	144,993.75	02/29/16
03/01/16		-	-	-	17,587.50	17,587.50	
09/01/16	4.00%	125,000.00	5,000.00	125,000.00	17,587.50	142,587.50	02/28/17
03/01/17		-	-	-	15,087.50	15,087.50	
09/01/17	4.10%	125,000.00	5,125.00	125,000.00	15,087.50	140,087.50	02/28/18
03/01/18		-	-	-	12,525.00	12,525.00	
09/01/18	4.20%	125,000.00	5,250.00	125,000.00	12,525.00	137,525.00	02/28/19
03/01/19		-	-	-	9,900.00	9,900.00	
09/01/19	4.30%	150,000.00	6,450.00	150,000.00	9,900.00	159,900.00	02/29/20
03/01/20		-	-	-	6,675.00	6,675.00	
09/01/20	4.40%	150,000.00	6,600.00	150,000.00	6,675.00	156,675.00	02/28/21
03/01/21		-	-	-	3,375.00	3,375.00	
09/01/21	4.50%	150,000.00	6,750.00	150,000.00	3,375.00	153,375.00	02/28/22
		1,800,000.00	71,325.00	1,800,000.00	886,587.50	2,686,587.50	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA
CONTRACT PAYABLE - PARMA TOWNSHIP (KANSAS STATE BANK)
2003 FIRE TRUCK

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
		PRINCIPAL	INTEREST	TOTAL	
07/01/04	4.53%	3,159.18	1,793.61	4,952.79	02/28/05
07/01/05	4.53%	3,304.48	1,648.32	4,952.80	02/28/06
07/01/06	4.53%	3,456.45	1,496.34	4,952.79	02/28/07
07/01/07	4.53%	3,615.41	1,337.39	4,952.80	02/29/08
07/01/08	4.53%	3,781.68	1,171.11	4,952.79	02/28/09
07/01/09	4.53%	3,955.60	997.20	4,952.80	02/28/10
07/01/10	4.53%	4,137.52	815.27	4,952.79	02/28/11
07/01/11	4.53%	4,327.81	624.99	4,952.80	02/29/12
07/01/12	4.53%	4,526.84	425.95	4,952.79	02/28/13
07/01/13	4.53%	4,735.03	217.77	4,952.80	02/28/14
		39,000.00	10,527.95	49,527.95	

The notes to the financial statements are an integral part of this statement.

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

Village Council
Village of Parma, Inc.
Jackson County, Michigan

We have audited the financial statements of Village of Parma, Inc. as of and for the year ended February 28, 2005, and have issued our report thereon dated August 30, 2005. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts including fraud may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Parma, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Parma, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Parma, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. **We noted numerous audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village of Parma, Inc.'s reporting process. Please see the attached memorandum of comments and recommendations.**

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Parma, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

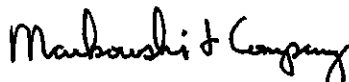
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Parma, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The staff at the Village was extremely helpful and cooperative during our audit. However, because of internal control problems in the Village, we did encounter difficulties in completing our audit. Please see the attached Memorandum of Comments and Recommendations for further information on the problems encountered, and suggestions for improvements.

This information is intended solely for the use of the Village Council and management of Village of Parma, Inc. and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs
August 30, 2005

VILLAGE OF PARMA, INC.

MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED FEBRUARY 28, 2005

For the past three audits, we have encountered significant difficulties during our field work. With that in mind, we are very happy to report that the Village's accounting was significantly improved over past years. We found the records to be up to date, well organized, and very easy to work with. While we still have some recommendations for improvements, there is no question that the Village has made outstanding progress in its accounting processes. Please find the following items for your consideration:

1. FUND DEFICIT

The General Fund ended the year with a deficit fund balance – the General Fund deficit of \$34,950 is down from a \$63,470 deficit as of February 29, 2004.

The Village has been relying on loans from the Waste Water and Water Funds to finance this deficit spending. As of February 29, 2004, the General Fund owes \$186,658. **Because of these deficits, the Village Council will need to approve a plan to eliminate these deficits and file a copy of this with the State Department of Treasury.**

While progress was made towards reducing the cumulative deficit this year, we caution the Village against thinking the worst is over. The deficit decreased by only \$28,500, and that is mainly to accounting rules which result in two LDFA surplus distributions being reported as income this past fiscal year. This income of \$94,000 (net of the \$34,000 tax refunds paid to MACI) is about \$29,000 more than can be expected in future years. This means that the year really was a break-even one for the General Fund.

The Village should still consider drastic steps to eliminate the General Fund deficit. We have prepared an analysis of the Village's finances for the Council; this summarizes the unrestricted revenue available, and the net costs of providing programs in the General Fund. Each of these programs must be prioritized, and several may need eliminated.

2. INTERFUND BORROWINGS

As mentioned above, there has been a significant amount of interfund borrowing during the past few years. **One area of serious concern is the fact that the General Fund has borrowed over \$99,000 of water assessment/hydrant tax collections.** This money will be needed to pay off the water system loans in the future, and at the current rate, the General Fund will not be able to pay it back in a timely manner.

Because the amounts assessed are so close to that needed to pay off the debt, there is no room for delay in these repayments. Additionally, approximately **\$47,000 of assessment collections have been used to pay operating expenses of the water supply system.** The Council needs to take a very hard look at the current rates charged for water. It is becoming apparent that rates will need to be increased now, before more dramatic action is needed in the future.

2. INTERFUND BORROWINGS (Continued)

It is imperative that the Council begin to formulate a long range plan to pay all interfund borrowings back in a timely manner. The Treasurer and Clerk have worked hard to make repay several of the smaller loans, and their efforts should be supported by the entire council.

3. WATER ASSESSMENT INTEREST

This past year, the Treasurer and Clerk made great progress with the recordkeeping for water assessments. All records are now maintained in the Village's computer system, which has dramatically improved the accounting for collections. We did discover one area of major concern – the interest rate charged residents on their installment payments.

The Village borrowed money to finance construction at an excellent rate, 2.5%. The Council decided to pass that attractive rate on to its residents, as opposed to most governments which have elected to charge a slightly higher rate to provide a cushion for repayment. During the year, the Clerk discovered that a rate of approximately 2.1% had been used when computing the required annual payments instead of the 2.5% rate.

As mentioned previously, there is very little margin for error in this project. **We recommend that the Council review the assessments charged, and authorize the Clerk to correct this error in interest rates.**

4. EXPENDITURES IN EXCESS OF BUDGET

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report, there were several instances of spending amounts greater than budget. Also, the Village did not adopt budgets for any of its four special revenue funds (Major and Local Streets, Police Restricted, and Fire Recovery Funds) as required by state law.

Part of the reason for spending in excess of budget is the lack of accurate financial information available to the Council. Our earlier comments indicate that it has not been possible to rely on internally generated financial information in previous years. This makes it extremely important to implement our proposed recommendations so that the Village can make proper decisions regarding its finances.

We recommend that the Council carefully review its actual revenue and expenditures to budgeted amounts at least once per quarter. Proper budgets must be adopted for all special revenue funds, and should strongly be considered for all funds as a management tool. Amendments to the budget should be made after reviewing all financial information.

4. GRANT RECORDKEEPING/REIMBURSEMENTS

The Village financed construction of a portion of its municipal water supply system with a state grant. Our testing of the expenses indicated instances where some expenses have been paid by two different funding sources. Certain construction costs have been reimbursed to the Village by both the State and the County Drain Commissioner. The result of these double payments is that the Village has received \$23,850 more from the State than the actual qualified expenses.

The Village should correct any over/underpayments promptly, as the state has finalized these grants.

5. POLICE/FIRE REIMBURSEMENTS AND EXPENDITURES

We noted that great improvements were made in this area. Working with both department chiefs, the Clerk and Treasurer did a much better job of ensuring that the Village was reimbursed for all the costs of the departments. Our tests of the reports submitted to Parma and Sandstone Townships revealed some instances in which the Village actually paid more than the amounts charged to these two units

The Village should continue to compare its police/fire expenses shown on the Village general ledger to the monthly reports submitted by the chiefs. This should be done throughout the fiscal year.

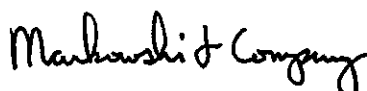
The chiefs should also be noting their approval for payment prior to submitting bills to Village for payment; consideration should be given to requiring approval by the respective boards prior to submitting them to the Village for payment. Proper documentation must support all bills submitted to the Village for payment. Again, we were happy to see that both chiefs were very cooperative during our audit, and have made great efforts to help improve the accounting for their departmental costs.

CONCLUSION

We would like to thank the clerk, Katie Cotey, and treasurer, Mary France, for their cooperation and patience during the audit process. These ladies have made a great deal of progress in correcting lingering problems with the Village's records, and should be commended for their efforts.

If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,



MARKOWSKI & COMPANY CPAs

August 30, 2005